

Request for Waiver - Cash Balance Penalty

SDCL 13-13-73.5

School District:

Frederick Area 06-2

Penalty Fiscal Year:

2026

Lowest Monthly Cash Balance, General Fund (FY2025)

\$1,023,734

Total General Fund Expenditures (FY2025)

\$2,327,705

Cash Balance %

43.98%

State Aid Fall Enrollment, Fall 2023

177.27

State Aid Fall Enrollment, Fall 2024

173.00

State Aid Fall Enrollment, Fall 2025 - PRELIMINARY

162.00

Allowable Cash Balance Percentage

40.0%

Amount Exceeding Allowable Percentage

\$92,652

Estimated FY2026 General State Aid Allocation (with penalty applied)

\$674,464

Total Amount of Waiver Request

\$92,652

Please explain the reason(s) for this request and attach supporting documentation:

The district respectfully requests a waiver of the cash balance penalty in the amount exceeding the allowable percentage. This variance was not due to intentional overaccumulation of funds, but rather to a combination of unforeseen positive financial factors and responsible fiscal management throughout the year. The primary contributor to the higher cash balance was a significant and unexpected increase in interest income. Interest rates on our investments were substantially higher than anticipated when the budget was adopted, resulting in over \$95,000 in additional revenue beyond projections. This unplanned revenue growth materially impacted our year-end cash position. Additionally, several major budgeted expenses did not reach projected levels. Our district had planned for higher expenditures related to state basketball tournaments (lodging, meals, and travel in March) and increased participation in state FCCLA and FBLA conferences (lodging and meals in April). Throughout the year, we also implemented prudent cost management across smaller line items, identifying efficiencies and cost reductions where possible. These collective efforts reflect our district's commitment to responsible budgeting and stewardship of taxpayer dollars, not an attempt to maintain excessive fund balances. Moving forward, the district has already taken proactive measures to prevent this situation from recurring. Interest rates have begun to decline, and we have adjusted our revenue and expenditure planning processes to account for these variances. Our administration and board are also maintaining closer ongoing monitoring of monthly cash balances to ensure continued compliance with statutory requirements.

We respectfully request the Accountability Board's favorable consideration of this waiver request.

Shauna Severson

Business Manager

Frederick Area School District

10/23/2025

The School Finance & Accountability Board may consider a waiver due to special circumstances such as:

- 1) Revenue needed in following year(s) due to a natural disaster; or
- 2) Funding needed to expand educational programs; or
- 3) Impact of reorganization; or
- 4) Any unforeseen or extenuating circumstance explained on this request.

Superintendent Name: Jeff Kosters

Date: 10/27/25

Superintendent Signature: Jeff Kosters

Revenue Summary Report

Processing Month: 06/2025

Regular; Processing Month 06/2025; Accounts to Include Accounts with
Activity; Fund Number 10

Fund: 10 General Fund

<u>Account Number</u>	<u>Description</u>	<u>Revised Budget</u>	<u>During Month</u>	<u>To Date</u>	<u>% of Budget</u>	<u>Budget Balance</u>
10 1110	Ad Valorem Taxes	992,320.00	163,779.57	981,211.21	98.88	11,108.79
10 1120	Prior Years' Ad Valorem Taxes	3,000.00	0.00	5,861.81	195.39	(2,861.81)
10 1140	Utility Tax	62,793.00	57,677.69	57,677.69	91.85	5,115.31
10 1190	Penalties & Interest on Taxes	2,500.00	91.47	2,390.21	95.61	109.79
10 1510	Interest	60,000.00	8,182.37	155,518.28	259.20	(95,518.28)
10 1710	Admissions	2,000.00	0.00	1,505.00	75.25	495.00
10 1710 010	Gate Admissions Co-op	7,000.00	0.00	10,051.43	143.59	(3,051.43)
10 1740 302	Rentals-Cocurricular Music	100.00	0.00	0.00	0.00	100.00
10 1790	Other Student Activity Income	0.00	34.00	1,309.50	0.00	(1,309.50)
10 1790 210	Other Student Activity Income-Music	0.00	0.00	66.00	0.00	(66.00)
10 1790 219	Other Student Activity Income-Concession	0.00	0.00	16,706.27	0.00	(16,706.27)
10 1790 303	Other Student Activity Income-Yearbook	1,000.00	40.00	1,205.00	120.50	(205.00)
10 1790 321	Other Student Activity Income-FCCLA	400.00	0.00	0.00	0.00	400.00
10 1920	Contributions & Donations	1,000.00	1,200.00	6,814.49	681.45	(5,814.49)
10 1920 303	Contributions & Donations-Yearbook	0.00	40.00	425.00	0.00	(425.00)
10 1920 322	Contributions & Donations-Prom	250.00	0.00	500.00	200.00	(250.00)
10 1973	Medicaid Administrative Claiming	1,000.00	0.00	1,154.30	115.43	(154.30)
10 1979	Other Charges for Services	500.00	0.00	724.92	144.98	(224.92)
10 1990	Other Local Income	500.00	10,610.80	16,650.68	3,330.14	(16,150.68)
10 1990 309	Other Local Income-Fitness Center	6,500.00	300.00	7,385.00	113.62	(885.00)
10 1990 320	Other-Laptop Repairs	1,000.00	0.00	1,090.00	109.00	(90.00)
Subtotal: Revenue from Local Sources		1,141,863.00	241,955.90	1,268,246.79	111.07	(126,383.79)
10 2110	County Apportionment	7,097.00	724.57	8,766.29	123.52	(1,669.29)
Subtotal: Revenue from Intermediate Sources		7,097.00	724.57	8,766.29	123.52	(1,669.29)
10 3111	State Aid	871,486.00	70,320.00	837,515.00	96.10	33,971.00
10 3112	State Apportionment	10,000.00	0.00	12,378.37	123.78	(2,378.37)
10 3114	Bank Franchise Tax	33,184.00	0.00	24,773.22	74.65	8,410.78
Subtotal: Revenue from State Sources		914,670.00	70,320.00	874,666.59	95.63	40,003.41
10 4149 910	Small Rural Schools Grant	5,000.00	0.00	0.00	0.00	5,000.00
10 4151 914	Fresh Fruits & Vegetables Grant	7,200.00	0.00	7,200.00	100.00	0.00
10 4153 902	Title IV, Part A	10,284.00	9,381.00	17,057.00	165.86	(6,773.00)
10 4158 901	Title I Grant	74,590.00	45,748.00	69,413.00	93.06	5,177.00
10 4159 902	Title II Part A Grant	11,917.00	73.00	4,424.00	37.12	7,493.00
10 4900 918	Sand Lake	0.00	0.00	335.77	0.00	(335.77)
Subtotal: Revenue from Federal Sources		108,991.00	55,202.00	98,429.77	90.31	10,561.23
10 5110 405	Operating Transfers In from Cap Outlay	290,000.00	286,064.35	286,064.35	98.64	3,935.65
Subtotal: Other Sources		290,000.00	286,064.35	286,064.35	98.64	3,935.65
Fund Total:		2,462,621.00	654,266.82	2,536,173.79	102.99	(73,552.79)