



Financial Statements  
June 30, 2022

# 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, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*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 schedules of employer's share of net pension liability (asset), employer's contributions, and budgetary comparison schedules 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 the 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 December 11, 2023, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Erik Bailly LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota  
December 11, 2023

## Groton Area School District 06-6

Statement of Net Position

June 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 4,015,980	\$ 166,020	\$ 4,182,000
Investments held by fiscal agent	5,583,304	-	5,583,304
Taxes receivable	2,584,469	-	2,584,469
Accounts receivable	914,283	18,352	932,635
Inventories	-	15,434	15,434
Net pension asset	1,151,256	37,034	1,188,290
Capital assets:			
Land, improvements and construction in progress	185,596	-	185,596
Other capital assets, net of depreciation	10,607,446	4,248	10,611,694
<b>Total assets</b>	<b>25,042,334</b>	<b>241,088</b>	<b>25,283,422</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	1,593,080	48,237	1,641,317
	<u>\$ 26,635,414</u>	<u>\$ 289,325</u>	<u>\$ 26,924,739</u>
<b>Liabilities</b>			
Accounts payable	\$ 135,092	\$ -	\$ 135,092
Other current liabilities	362,526	1,794	364,320
Unearned revenue	-	45,204	45,204
Noncurrent liabilities:			
Due within one year	683,902	-	683,902
Due in more than one year	11,671,244	-	11,671,244
<b>Total liabilities</b>	<b>12,852,764</b>	<b>46,998</b>	<b>12,899,762</b>
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows	2,228,215	67,521	2,295,736
Taxes levied for future period	2,820,642	-	2,820,642
<b>Total deferred inflows of resources</b>	<b>5,048,857</b>	<b>67,521</b>	<b>5,116,378</b>
<b>Net Position</b>			
Net investment in capital assets	4,321,870	4,248	4,326,118
Restricted for:			
Capital Outlay	1,565,544	-	1,565,544
Special Education	291,545	-	291,545
SDRS pension benefits	516,121	17,750	533,871
Debt service	292	-	292
Unrestricted	2,038,421	152,808	2,191,229
<b>Total net position</b>	<b>8,733,793</b>	<b>174,806</b>	<b>8,908,599</b>
	<u>\$ 26,635,414</u>	<u>\$ 289,325</u>	<u>\$ 26,924,739</u>

See Notes to Financial Statements

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Groton Area School District 06-6  
Statement of Activities  
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
Governmental activities:							
Instruction	\$ 3,765,101	\$ 15,033	\$ 210,583	\$ 135,315	\$ (3,404,170)	\$ -	\$ (3,404,170)
Support services	2,508,763	270	-	-	(2,508,493)	-	(2,508,493)
Community services	5,688	-	-	-	(5,688)	-	(5,688)
*Interest on long-term debt	390,664	-	-	-	(390,664)	-	(390,664)
Co-curricular activities	382,662	197,002	-	-	(185,660)	-	(185,660)
Total governmental activities	7,052,878	212,305	210,583	135,315	(6,494,675)	-	(6,494,675)
Business-type activities:							
Food service	228,601	16,806	275,133	-	-	63,338	63,338
After school program	73,002	36,666	43,728	-	-	7,392	7,392
Driver's education	2,360	10,140	-	-	-	7,780	7,780
Total business-type activities	303,963	63,612	318,861	-	-	78,510	78,510
Total primary government	\$ 7,356,841	\$ 275,917	\$ 529,444	\$ 135,315	(6,494,675)	78,510	(6,416,165)
<b>General Revenues</b>							
Taxes:							
Property taxes					5,683,846	-	5,683,846
Gross receipts tax					737,096	-	737,096
Revenue from state sources:							
Other					336,495	-	336,495
Revenue from federal sources					5,084	-	5,084
Grants and contributions not restricted to specific programs					653	-	653
Unrestricted investment earnings					1,087	-	1,087
Other general revenues					79,243	-	79,243
Total general revenues					6,843,504	-	6,843,504
Change in Net Position					348,829	78,510	427,339
Net Position - Beginning					8,384,964	96,296	8,481,260
Net Position - Ending					\$ 8,733,793	\$ 174,806	\$ 8,908,599

\* 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 Sheets – Governmental Funds  
June 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 1,927,000	\$ 1,689,959	\$ 399,021	\$ -	\$ 4,015,980
Investments held by fiscal agent	-	5,583,304	-	-	5,583,304
110 Taxes receivable - current	1,397,355	766,364	405,780	-	2,569,499
112 Taxes receivable - delinquent	9,673	3,234	1,771	292	14,970
140 Due from local governments	583,962	-	-	-	583,962
140 Due from state government	205,914	124,407	-	-	330,321
	<u>\$ 4,123,904</u>	<u>\$ 8,167,268</u>	<u>\$ 806,572</u>	<u>\$ 292</u>	<u>\$ 13,098,036</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
402 Accounts payable	\$ 18,676	\$ 116,416	\$ -	\$ -	\$ 135,092
404 Contracts payable	202,408	-	40,741	-	243,149
450 Payroll deductions and withholdings and employer matching payable	98,133	-	21,244	-	119,377
Total liabilities	<u>319,217</u>	<u>116,416</u>	<u>61,985</u>	<u>-</u>	<u>497,618</u>
<b>Deferred Inflows of Resources</b>					
553 Taxes levied for future period	1,512,069	855,531	453,042	-	2,820,642
551 Unavailable revenue - delinquent property taxes	9,673	3,234	1,771	292	14,970
559 Other	28,743	46,473	-	-	75,216
Total deferred inflows of resources	<u>1,550,485</u>	<u>905,238</u>	<u>454,813</u>	<u>292</u>	<u>2,910,828</u>
<b>Fund Balances</b>					
<b>Restricted:</b>					
Capital outlay	-	1,562,310	-	-	1,562,310
Special education	-	-	289,774	-	289,774
Bond redemption	-	5,583,304	-	-	5,583,304
<b>Assigned:</b>					
Other purposes - clubs	118,441	-	-	-	118,441
Unemployment	31,134	-	-	-	31,134
Unassigned	2,104,627	-	-	-	2,104,627
Total fund balances	<u>2,254,202</u>	<u>7,145,614</u>	<u>289,774</u>	<u>-</u>	<u>9,689,590</u>
	<u>\$ 4,123,904</u>	<u>\$ 8,167,268</u>	<u>\$ 806,572</u>	<u>\$ 292</u>	<u>\$ 13,098,036</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, 2022

Total Fund Balances - Governmental Funds	\$ 9,689,590
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.	10,793,042
Long-term debt and liabilities, including bonds payable, financing payables, SD SDBF assessment, and early retirement payables are not due and payable in the current period and, therefore, are not reported in the funds.	(12,175,975)
Unamortized balance of premiums and discounts are not due and payable in the current period and, therefore, are not reported in the funds.	(179,171)
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.	14,970
Assets such as grants receivable are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in the funds.	75,216
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.	516,121
Net Position - Governmental Funds	<u>\$ 8,733,793</u>

Groton Area School District 06-6  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2022

	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	\$ 3,042,152	\$ 1,707,013	\$ 903,935	\$ -	\$ 5,653,100
1120 Prior year's ad valorem taxes	19,250	9,816	5,227	1,035	35,328
1130 Tax deed revenue	-	-	-	-	-
1140 Gross receipt taxes	737,096	-	-	-	737,096
1190 Penalties and interest on taxes	6,744	3,133	1,670	191	11,738
1300 Tuition and fees:					
1360 Regular day school transportation fees	270	-	-	-	270
1500 Earnings on investments and deposits	1,087	-	-	-	1,087
1700 Co-curricular activities:					
1710 Admissions	40,755	-	-	-	40,755
1740 Rentals	1,150	-	-	-	1,150
1790 Other pupil activity income	155,097	-	-	-	155,097
1900 Other revenue from local sources:					
1910 Rentals	800	-	-	-	800
1920 Contributions and donations	653	-	-	-	653
1940 Services provided to other LEAs	-	-	-	-	-
1970 Charges for services	7,235	-	7,798	-	15,033
1990 Other	22,998	16,642	-	-	39,640
2000 Revenue from intermediate sources					
2100 County sources:					
2110 County apportionment	38,409	-	-	-	38,409
2200 Revenue in lieu of taxes	394	-	-	-	394
3000 Revenue from state sources					
3100 Grants-in-aid:					
3110 Unrestricted grants-in-aid	330,105	-	-	-	330,105
3120 Restricted grants-in-aid	2,179	-	-	-	2,179
3900 Other state revenue	650	-	5,740	-	6,390
4000 Revenue from federal sources					
4100 Grants-in-aid:					
4130 Unrestricted grants-in-aid received from federal government through an intermediate source	5,112	-	-	-	5,112
4140 Restricted grants-in-aid received directly from federal government	24,905	-	-	-	24,905
4150-4199 Restricted grants-in-aid received from federal government through the state	208,448	168,452	-	-	376,900
4900 Other federal revenue	-	5,084	-	-	5,084
Total revenues	<u>4,645,489</u>	<u>1,910,140</u>	<u>924,370</u>	<u>1,226</u>	<u>7,481,225</u>

Groton Area School District 06-6  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
Expenditures					
1000 Instruction					
1100 Regular programs:					
1110 Elementary	1,052,927	78,404	-	-	1,131,331
1120 Middle school/junior high	500,669	40,326	-	-	540,995
1130 High school	1,031,150	124,016	-	-	1,155,166
1140 Preschool services	34,147	502	-	-	34,649
1190 Other regular programs	1,500	-	-	-	1,500
1200 Special programs:					
1210 Gifted and talented	14,417	-	-	-	14,417
1220 Programs for special education	-	4,465	700,794	-	705,259
1230 At-risk youth	53,736	-	-	-	53,736
1250 Culturally different	21,869	1,135	-	-	23,004
1270 Educationally deprived	129,178	-	-	-	129,178
2000 Support services					
2100 Pupils:					
2120 Guidance	66,016	4,710	-	-	70,726
2130 Health	43,222	299	-	-	43,521
2140 Psychological	-	-	15,224	-	15,224
2150 Speech pathology	-	656	35,877	-	36,533
2170 Student therapy services	-	-	103,755	-	103,755
2200 Support services - instructional staff:					
2210 Improvement of instruction	28,267	-	-	-	28,267
2220 Educational media	123,117	6,162	-	-	129,279
2300 Support services - general administration:					
2310 Board of Education	67,628	-	-	-	67,628
2320 Executive administration	143,290	1,691	-	-	144,981
2400 Support services - school administration:					
2410 Office of the Principal	305,452	552	-	-	306,004
2490 Other	641	-	-	-	641
2500 Support services - business:					
2520 Fiscal services	167,039	6,045	-	-	173,084
2530 Facilities acquisition and construction	-	44,481	-	-	44,481
2540 Operation and maintenance of plant	770,063	15,714	-	-	785,777
2550 Pupil transportation	353,795	221	-	-	354,016
2700 Support services - special education:					
2710 Administrative costs	-	-	23,068	-	23,068
2730 Transportation costs	-	-	9,758	-	9,758
2740 Other health impairments	-	-	6,847	-	6,847
4000 Nonprogrammed charges					
4500 Early retirement payments	32,295	-	-	-	32,295
5000 Debt services	-	1,011,380	-	-	1,011,380
6000 Co-curricular activities					
6900 Combined activities	286,148	52,334	-	-	338,482
7500 Capital outlay	-	286,958	-	-	286,958
Total expenditures	<u>5,226,566</u>	<u>1,680,051</u>	<u>895,323</u>	<u>-</u>	<u>7,801,940</u>
Excess of Revenue over (under) Expenditures	<u>(581,077)</u>	<u>230,089</u>	<u>29,047</u>	<u>1,226</u>	<u>(320,715)</u>

Groton Area School District 06-6  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
Other Financing Sources (Uses)					
5510 Transfers in	600,000	1,226	-	-	601,226
8110 Transfer out	-	(600,000)	-	(1,226)	(601,226)
5120 General long-term debt issued	-	5,996,209	-	-	5,996,209
8150 Premium (discount) on bonds issued	-	(17,025)	-	-	(17,025)
Total other financing sources (uses)	<u>600,000</u>	<u>5,380,410</u>	<u>-</u>	<u>(1,226)</u>	<u>5,979,184</u>
Net Change in Fund Balances	18,923	5,610,499	29,047	-	5,658,469
Fund Balance - Beginning	<u>2,235,279</u>	<u>1,535,115</u>	<u>260,727</u>	<u>-</u>	<u>4,031,121</u>
Fund Balance - Ending	<u>\$ 2,254,202</u>	<u>\$ 7,145,614</u>	<u>\$ 289,774</u>	<u>\$ -</u>	<u>\$ 9,689,590</u>

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, 2022

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Net Change in Fund Balances - Total Governmental Funds	\$ 5,658,469
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 (\$286,958) was exceeded by depreciation (\$481,049) in the current period.	(194,091)
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."	(16,320)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(63,198)
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.	(5,996,209)
Bond Crossover Refunding	\$ (5,885,000)
Direct Financing	(111,209)
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 \$30,000.	30,000
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 of discount added in the current period.	17,025
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.	13,557
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	609,454
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.	290,142
Change in Net Position of Governmental Activities	\$ 348,829

Groton Area School District 06-6  
Statement of Net Position – Proprietary Funds  
June 30, 2022

	Enterprise Funds		
	Food Service Fund	Other	Total
<b>Assets</b>			
<b>Current Assets</b>			
101 Cash and cash equivalents	\$ 109,928	\$ 56,092	\$ 166,020
120 Accounts receivable	8,879	9,473	18,352
170 Inventory of supplies	4,622	-	4,622
171 Inventory of stores purchased for resale	6,546	-	6,546
172 Inventory of donated food	4,266	-	4,266
Total current assets	<u>134,241</u>	<u>65,565</u>	<u>199,806</u>
<b>Noncurrent Assets</b>			
196 Net pension asset	25,639	11,395	37,034
200 Capital assets:			
204 Machinery and equipment - local funds	124,941	-	124,941
Less accumulated depreciation	<u>(120,693)</u>	<u>-</u>	<u>(120,693)</u>
Total noncurrent assets	<u>29,887</u>	<u>11,395</u>	<u>41,282</u>
<b>Deferred Outflows of Resources</b>			
252 Pension related deferred outflows	<u>34,603</u>	<u>13,634</u>	<u>48,237</u>
Total assets and deferred outflows of resources	<u>\$ 198,731</u>	<u>\$ 90,594</u>	<u>\$ 289,325</u>
<b>Liabilities, Deferred Inflows, and Net Position</b>			
<b>Current Liabilities</b>			
450 Payroll deductions and withholdings and employer matching payable	\$ 1,794	\$ -	\$ 1,794
474 Unearned revenue	<u>36,710</u>	<u>8,494</u>	<u>45,204</u>
Total current liabilities	<u>38,504</u>	<u>8,494</u>	<u>46,998</u>
<b>Deferred Inflows of Resources</b>			
554 Pension related deferred inflows	<u>47,416</u>	<u>20,105</u>	<u>67,521</u>
<b>Net Position</b>			
706 Net investment in capital assets	4,248	-	4,248
707.2 SDRS pension benefits	12,826	4,924	17,750
708 Unrestricted net position	<u>95,737</u>	<u>57,071</u>	<u>152,808</u>
Total net position	<u>112,811</u>	<u>61,995</u>	<u>174,806</u>
Total liabilities, deferred inflows, and net position	<u>\$ 198,731</u>	<u>\$ 90,594</u>	<u>\$ 289,325</u>

Groton Area School District 06-6  
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds  
Year Ended June 30, 2022

	Enterprise Funds		
	Food Service Fund	Other	Total
Operating Revenue			
Tuition and fees			
1310 Student tuition	\$ -	\$ 10,140	\$ 10,140
1980 Parent tuition	-	36,666	36,666
Sales			
1610 To pupils	11,611	-	11,611
1620 To adults	1,169	-	1,169
1660 Other	4,026	-	4,026
Total operating revenue	<u>16,806</u>	<u>46,806</u>	<u>63,612</u>
Operating Expenses			
100 Salaries	77,363	53,073	130,436
200 Employee benefits	22,939	9,955	32,894
300 Purchased services	7,295	2,360	9,655
400 Supplies	7,410	9,974	17,384
461 Cost of sales - purchased food	91,867	-	91,867
462 Cost of sales - donated food	19,954	-	19,954
910 Depreciation - local funds	1,773	-	1,773
Total operating expenses	<u>228,601</u>	<u>75,362</u>	<u>303,963</u>
Operating Loss	<u>(211,795)</u>	<u>(28,556)</u>	<u>(240,351)</u>
Nonoperating Revenue			
Other local revenue			
1920 Contributions and donations	-	9,628	9,628
State sources			
3810 Cash reimbursements	615	-	615
Federal sources			
4000 Federal grants	-	34,100	34,100
4810 Cash reimbursements	256,936	-	256,936
4820 Donated food	17,582	-	17,582
Total nonoperating revenue	<u>275,133</u>	<u>43,728</u>	<u>318,861</u>
Change in Net Position	63,338	15,172	78,510
Net Position - Beginning	<u>49,473</u>	<u>46,823</u>	<u>96,296</u>
Net Position - Ending	<u>\$ 112,811</u>	<u>\$ 61,995</u>	<u>\$ 174,806</u>

Groton Area School District 06-6  
Statement of Cash Flows – Proprietary Funds  
Year Ended June 30, 2022

	Enterprise Funds		
	Food Service Fund	Other	Total
Cash Flows provided from (used for) Operating Activities			
Receipts from customers	\$ 32,414	\$ 51,665	\$ 84,079
Payments to suppliers	(107,208)	(14,259)	(121,467)
Payments to employees	(106,751)	(66,008)	(172,759)
Net Cash used for Operating Activities	<u>(181,545)</u>	<u>(28,602)</u>	<u>(210,147)</u>
Cash Flows from Noncapital Financing Activities			
Contributions and donations	-	9,628	9,628
Operating subsidies	255,179	34,100	289,279
Net Cash from Noncapital Financing Activities	<u>255,179</u>	<u>43,728</u>	<u>298,907</u>
Net Change in Cash and Cash Equivalents	73,634	15,126	88,760
Cash and Cash Equivalents, Beginning of Year	<u>36,294</u>	<u>40,966</u>	<u>77,260</u>
Cash and Cash Equivalents, End of Year	<u>\$ 109,928</u>	<u>\$ 56,092</u>	<u>\$ 166,020</u>
Reconciliation of Operating Loss to Net Cash from (used for) Operating Activities:			
Operating loss	\$ (211,795)	\$ (28,556)	\$ (240,351)
Adjustments to reconcile operating loss to net cash from (used for) operating activities:			
Depreciation expense	1,773	-	1,773
Non-cash inventory costs	19,954	-	19,954
Change in assets and liabilities:			
Accounts receivable	1,289	(97)	1,192
Inventories	(636)	-	(636)
Pension liability, asset, deferred inflows and deferred outflows	(6,314)	(2,980)	(9,294)
Accounts and other payables	(135)	(1,925)	(2,060)
Unearned revenue	14,319	4,956	19,275
Net Cash used for Operating Activities	<u>\$ (181,545)</u>	<u>\$ (28,602)</u>	<u>\$ (210,147)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	\$ 17,582	\$ -	\$ 17,582

Groton Area School District 06-6  
 Statements of Fiduciary Net Position  
 June 30, 2022

	Private Purpose Trust Fund	Custodial Fund
Assets		
Cash	\$ -	\$ 152,961
Investments	101,081	-
	\$ 101,081	\$ 152,961
Liabilities		
Amounts held for others	\$ -	\$ -
Total liabilities	-	-
Net Position		
Net position held for organizations, clubs and classes	-	152,961
Net position held in trust for scholarships	101,081	-
Total net position	101,081	152,961
	\$ 101,081	\$ 152,961

Groton Area School District 06-6  
Statement of Changes in Fiduciary Net Position  
June 30, 2022

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	Private Purpose Trust Fund	Custodial Fund
Additions		
Contributions, donations and fundraisers	\$ -	\$ 264,775
Investment income (loss)	(16,015)	-
Total additions	(16,015)	264,775
Deductions		
Organization, club and class expenses	-	254,283
Scholarships	5,000	-
Investments fees	1,746	-
Total deductions	6,746	254,283
Change in Net Position	(22,761)	10,492
Net Position - Beginning	123,842	142,469
Net Position - Ending	\$ 101,081	\$ 152,961

**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 and Special Education 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, 2022, are due from the state government for \$330,321 and the counties for \$583,962 across all funds.

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 value. 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 their cash resources on demand. All reported enterprise fund deposit and investment balances are considered to be cash equivalents for the purpose of the statement 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

Capital Outlay  
Special Education

#### Revenue Source

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, 2022, the financial institutions that hold the School District's deposits were properly collateralized.

The actual bank balances at June 30, 2022, 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>4,146,176</u>
	<u>\$ 4,396,176</u>
The School District's carrying amount of deposits at June 30, 2022	<u>\$ 4,334,961</u>
Reconciliation of deposits to government-wide statement of net position:	
Cash and cash equivalents	\$ 4,182,000
Add: Fiduciary fund cash (not included in government-wide statement of net position)	<u>152,961</u>
	<u>\$ 4,334,961</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. As of June 30, 2022, the School District holds investments with a fiscal agent in short-term U.S. Treasuries which mature in less than 1 year. The investments have a Moody's credit rating of Aaa. The School also holds investments in a private purpose trust fund as of June 30, 2022.

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, 2022, is as follows:

Primary Government Governmental Activities	Balance 7/1/2021	Increases	Decreases	Balance 6/30/2022
Capital assets not being depreciated:				
Land	\$ 103,596	\$ -	\$ -	\$ 103,596
Construction in progress	-	82,000	-	82,000
Total capital assets not being depreciated	<u>103,596</u>	<u>82,000</u>	<u>-</u>	<u>185,596</u>
Capital assets being depreciated:				
Buildings	14,909,178	-	-	14,909,178
Improvements other than buildings	1,203,879	-	-	1,203,879
Machinery and equipment	2,095,674	204,958	149,293	2,151,339
Total capital assets being depreciated	<u>18,208,731</u>	<u>204,958</u>	<u>149,293</u>	<u>18,264,396</u>
Less accumulated depreciation for:				
Buildings	4,793,797	276,305	-	5,070,102
Improvements other than buildings	884,339	74,111	-	958,450
Machinery and equipment	1,647,058	130,633	149,293	1,628,398
Total accumulated depreciation	<u>7,325,194</u>	<u>481,049</u> **	<u>149,293</u>	<u>7,656,950</u>
Total capital assets being depreciated, net	<u>10,883,537</u>	<u>(276,091)</u>	<u>-</u>	<u>10,607,446</u>
Governmental activity capital assets, net	<u>\$ 10,987,133</u>	<u>\$ (194,091)</u>	<u>\$ -</u>	<u>\$ 10,793,042</u>

\*\* Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 179,023
Support services	245,920
Community services	5,688
Co-curricular activities	50,418
Total depreciation expense - governmental activities	<u>\$ 481,049</u>

Groton Area School District 06-6  
Notes to Financial Statements  
June 30, 2022

Proprietary Fund	Balance 7/1/2021	Increases	Decreases	Balance 6/30/2022
Capital assets being depreciated:				
Machinery and equipment	\$ 124,941	\$ -	\$ -	\$ 124,941
Total capital assets being depreciated	<u>124,941</u>	<u>-</u>	<u>-</u>	<u>124,941</u>
Less accumulated depreciation for:				
Machinery and equipment	118,920	1,773 **	-	120,693
Total accumulated depreciation	<u>118,920</u>	<u>1,773</u>	<u>-</u>	<u>120,693</u>
Total capital assets being depreciated, net	<u>6,021</u>	<u>(1,773)</u>	<u>-</u>	<u>4,248</u>
Proprietary fund activities capital assets, net	<u>\$ 6,021</u>	<u>\$ (1,773)</u>	<u>\$ -</u>	<u>\$ 4,248</u>

\*\* Depreciation expense was charged to functions as follows:

Proprietary fund activities:	
Food services	\$ 1,773
Total depreciation expense - proprietary fund activities	<u>\$ 1,773</u>

Subsequent to the year ended June 30, 2022, the School District committed to purchasing and completing various projects. The total amount committed to these projects was approximately \$1,500,000, which will be partially funded by federal grants, with the remaining portion funded by excess fund balances.

#### Note 4 - Long-Term Debt

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

Governmental Activities	7/1/2021	Increase	Decrease	6/30/2022	Due In One Year
General obligation	\$ 6,670,000	\$ 5,885,000	\$ (550,000)	\$ 12,005,000	\$ 590,000
Direct financing	69,220	111,209	(59,454)	120,975	61,480
Net unamortized premium (discount)	<u>209,753</u>	<u>(17,025)</u>	<u>(13,557)</u>	<u>179,171</u>	<u>12,422</u>
	<u>\$ 6,948,973</u>	<u>\$ 5,979,184</u>	<u>\$ (623,011)</u>	<u>\$ 12,305,146</u>	<u>\$ 663,902</u>

Debt payable at June 30, 2022, 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. \$ 5,845,000

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. \$ 6,160,000

Other Long-Term Debt

Laptop direct financing debt, matures July 2023, 4.04% interest, annual payments of \$16,638, paid by the Capital Outlay Fund. 15,992

Laptop direct financing debt, matures July 2024, 4.04% interest, annual payments of \$17,253, paid by the Capital Outlay Fund. 32,576

Laptop direct financing debt, matures July 2025, 4.04% interest, annual payments of \$21,330, paid by the Capital Outlay Fund. 61,380

A&B Business, copiers, matures October 2023, 3.50% interest, monthly payments of \$706, paid by the Capital Outlay Fund. 11,027

Plus unamortized premiums (discounts) 179,171

\$ 12,305,146

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

Year Ending June 30,	G.O. Bonds Payable		Direct Financing		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 590,000	\$ 311,055	\$ 61,480	\$ 2,217	\$ 651,480	\$ 313,272
2024	5,710,000	205,350	39,156	2,310	5,749,156	207,660
2025	400,000	103,785	20,339	822	420,339	104,607
2026	405,000	100,763	-	-	405,000	100,763
2027	405,000	96,490	-	-	405,000	96,490
2028-2032	2,135,000	381,605	-	-	2,135,000	381,605
2033-2037	2,360,000	144,503	-	-	2,360,000	144,503
	<u>\$ 12,005,000</u>	<u>\$ 1,343,551</u>	<u>\$ 120,975</u>	<u>\$ 5,349</u>	<u>\$ 12,125,975</u>	<u>\$ 1,348,900</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 \$5,582,304.

The refunding of the debt will reduce its total debt payments by approximately \$222,770, and the School District will obtain an economic gain of \$225,195.

**Note 5 - Other Long-Term Liabilities**

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

<u>Governmental Activities</u>	<u>7/1/2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2022</u>	<u>Due In One Year</u>
Early retirement payable (See Note 6)	\$ 80,000	-	\$ (30,000)	\$ 50,000	\$ 20,000
	<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ (30,000)</u>	<u>\$ 50,000</u>	<u>\$ 20,000</u>

Other long-term liabilities at June 30, 2022, 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)

	<u>\$ 50,000</u>
	<u><u>\$ 50,000</u></u>

The annual required payments to maturity for all other long-term liabilities outstanding as of June 30, 2022, is as follows:

<u>Year Ending June 30,</u>	<u>Early Retirement Principal</u>
2023	\$ 20,000
2024	15,000
2025	15,000
2026	
	<u><u>\$ 50,000</u></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 2022 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's private purpose trust fund 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, 2022, 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, 2022, claims of approximately \$688 had 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	\$ 1,565,544
Special Education	Law	291,545
Debt Service	Law	292
SDRS Pension Benefits	Pension Plan	533,871
		\$ 2,391,252

**Note 10 - Joint Ventures**

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

The members of the Consortium 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, 2022, this joint venture had total fund equity of \$8,786 and no long-term debt.

The School District also participates in the North Central Special Education Cooperative (Co-op), a multi-district cooperative service unit 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	Doland School District
Langford Area School District	Leola School District
Frederick Area School District	Groton Area School District
Northwestern Area School District	Warner School District
Edmunds Central 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, 2022, the North Central Special Education Cooperative had fund equity of \$518,360 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, defined-benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <https://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

### **Benefits Provided**

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

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

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

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

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

All benefits except those depending on the member's accumulated contributions are annually increased by the cost-of-living adjustment.

### **Contributions**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6.0% of salary; Class B judicial members, 9.0% of salary; and Class B public safety members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ending June 30, 2022, 2021 and 2020, were \$215,948, \$211,271 and \$206,826, 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, 2021, SDRS is 105.52% funded and, accordingly, has a net pension asset. The proportionate shares of the components of the net pension asset of the South Dakota Retirement System for the School District as of the measurement period ending June 30, 2021, and reported by the School District as of June 30, 2022, are as follows:

Proportionate share of total pension liability	\$ 21,515,615
Less proportionate share of net position restricted for pension benefits	<u>22,703,905</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (1,188,290)</u></u>

At June 30, 2022, the School District reported a liability (asset) of (\$1,188,290) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021, 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, 2021, the School District's proportion was 0.1551640%, which is a decrease of 0.0019008% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District recognized pension expense (reduction of pension expense) of \$(299,435). At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 42,663	\$ 3,115
Changes in assumption	1,366,522	595,079
Net difference between projected and actual earnings on pension plan investments	-	1,697,497
Changes in proportion and difference between School District contributions and proportionate share of contributions	16,184	45
School District contributions subsequent to the measurement date	<u>215,948</u>	<u>-</u>
	<u><u>\$ 1,641,317</u></u>	<u><u>\$ 2,295,736</u></u>

There is \$215,948 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
2023	\$ (208,746)
2024	(143,419)
2025	(40,658)
2026	(477,544)
	<u>\$ (870,367)</u>

### Actuarial Assumptions

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

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

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

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

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

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%
	<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 one percentage point lower (5.50%) or one 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)	\$ 1,924,138	\$ (1,188,290)	\$ (3,714,858)

### 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 2022, 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 \$1,226 to the Capital Outlay Fund to close out the bond redemption fund.



Required Supplementary Information  
June 30, 2022

## Groton Area School District 06-6

Groton Area School District 06-6  
Budgetary Comparison Schedule – Budgetary Basis – General Fund  
Year Ended June 30, 2022

	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	\$ 3,023,354	\$ 3,023,354	\$ 3,042,152	\$ 18,798
1120 Prior year's ad valorem taxes	15,000	15,000	19,250	4,250
1140 Gross receipts taxes	670,000	670,000	737,096	67,096
1190 Penalties and interest on taxes	7,000	7,000	6,744	(256)
1300 Tuition and fees:				
1360 Regular day school transportation fees	500	500	270	(230)
1500 Earnings on investments and deposits	1,500	1,500	1,087	(413)
1700 Co-curricular activities:				
1710 Admissions	36,500	36,500	40,755	4,255
1740 Rentals	2,000	2,000	1,150	(850)
1790 Other pupil activity income	159,900	159,900	155,097	(4,803)
1900 Other revenue from local sources:				
1910 Rentals	600	600	800	200
1920 Contributions and donations	4,500	4,500	653	(3,847)
1970 Charges for services	6,800	6,800	7,235	435
1990 Other	23,700	23,700	22,998	(702)
2000 Revenue from intermediate sources				
2100 County sources:				
2110 County apportionment	32,500	32,500	38,409	5,909
2200 Revenue in lieu of taxes	100	100	394	294
3000 Revenue from state sources				
3100 Grants-in-aid:				
3110 Unrestricted grants-in-aid	284,000	284,000	330,105	46,105
3120 Restricted grants-in-aid	2,500	2,500	2,179	(321)
3900 Other state revenue	1,000	1,000	650	(350)
4000 Revenue from federal sources:				
4100 Grants-in-aid:				
4120 Unrestricted grants-in-aid received from federal government through the state	240,000	240,000	-	(240,000)
4130 Unrestricted grants-in-aid received from federal government through an intermediate source	5,000	5,000	5,112	112
4140 Restricted grants-in-aid received directly from federal government	24,905	24,905	24,905	-
4150-4199 Restricted grants-in-aid received from federal government through the state	64,760	64,760	208,448	143,688
4900 Other federal revenue	800	800	-	(800)
Total revenues	<u>4,606,919</u>	<u>4,606,919</u>	<u>4,645,489</u>	<u>38,570</u>

Groton Area School District 06-6  
 Budgetary Comparison Schedule – Budgetary Basis – General Fund  
 Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary	1,085,340	1,085,340	1,052,927	32,413
1111 Middle school/junior high	524,087	524,087	500,669	23,418
1130 High school	1,156,633	1,156,633	1,031,150	125,483
1140 Preschool services	35,573	35,573	34,147	1,426
1190 Other regular programs	1,500	1,500	1,500	-
1200 Special programs:				
1210 Gifted and talented	21,517	21,517	14,417	7,100
1230 At-risk youth	60,702	60,702	53,736	6,966
1250 Culturally different	22,875	22,875	21,869	1,006
1270 Educationally deprived	135,850	135,850	129,178	6,672
2000 Support services				
2100 Pupils:				
2120 Guidance	70,430	70,430	66,016	4,414
2130 Health	45,813	45,813	43,222	2,591
2200 Support services - instructional staff:				
2210 Improvement of instruction	52,441	52,441	28,267	24,174
2220 Educational media	131,614	131,614	123,117	8,497
2300 Support services - general administration:				
2310 Board of Education	99,375	99,375	67,628	31,747
2320 Executive administration	148,862	148,862	143,290	5,572
2400 Support services - school administration:				
2410 Office of the Principal	321,772	321,772	305,452	16,320
2490 Other	1,000	1,000	641	359
2500 Support services - business:				
2520 Fiscal services	170,179	170,179	167,039	3,140
2530 Facilities acquisition and construction	4,000	4,000	-	4,000
2540 Operation and maintenance of plant	778,583	778,583	770,063	8,520
2550 Pupil transportation	384,442	384,442	353,795	30,647
4000 Nonprogrammed charges				
4500 Early retirement payments	36,395	36,395	32,295	4,100
6000 Co-curricular activities				
6900 Combined activities	303,717	303,717	286,148	17,569
7000 Contingencies	46,920	46,920	-	46,920
Total expenditures	<u>5,639,620</u>	<u>5,639,620</u>	<u>5,226,566</u>	<u>413,054</u>

Groton Area School District 06-6  
 Budgetary Comparison Schedule – Budgetary Basis – General Fund  
 Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess of Revenue over (under) Expenditures	(1,032,701)	(1,032,701)	(581,077)	451,624
Other Financing Sources (uses)				
5510 Transfers in	600,000	600,000	600,000	-
8110 Transfer out	(25,000)	(25,000)	-	25,000
5130 Sale of surplus property	50	50	-	(50)
Total other financing sources	575,050	575,050	600,000	24,950
Net Change in Fund Balances	(457,651)	(457,651)	18,923	476,574
Fund Balance - Beginning	2,235,279	2,235,279	2,235,279	-
Fund Balance - Ending	<u>\$ 1,777,628</u>	<u>\$ 1,777,628</u>	<u>\$ 2,254,202</u>	<u>\$ 476,574</u>

Groton Area School District 06-6  
 Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund  
 Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 1,703,500	\$ 1,703,500	\$ 1,707,013	\$ 3,513
1120 Prior year's ad valorem taxes	4,500	4,500	9,816	5,316
1190 Penalties and interest on taxes	2,500	2,500	3,133	633
1900 Other revenue from local sources:				
1920 Contributions and donations	1,500	1,500	16,642	15,142
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4120 Unrestricted grants-in-aid received from federal government through the state	55,500	55,500	-	(55,500)
4150-4199 Restricted grants-in-aid received from federal government through the state	277,098	277,098	168,452	(108,646)
4900 Other federal revenue	5,013	5,013	5,084	71
<b>Total revenues</b>	<b>2,049,611</b>	<b>2,049,611</b>	<b>1,910,140</b>	<b>(139,471)</b>
<b>Expenditures</b>				
1000 Instruction				
1100 Regular programs:				
1110 Elementary	74,245	74,245	78,404	(4,159)
1120 Junior high/middle school	62,145	62,145	40,326	21,819
1130 High school	29,825	29,825	124,016	(94,191)
1140 Preschool services	650	650	502	148
1190 Other regular programs	4,000	4,000	-	4,000
1200 Special programs:				
1220 Programs for special education	5,475	5,475	4,465	1,010
1250 Culturally different	1,150	1,150	1,135	15
2000 Support services				
2100 Pupils:				
2120 Guidance	5,600	5,600	4,710	890
2130 Health	2,130	2,150	299	1,851
2150 Speech pathology	750	750	656	94
2200 Support services - instructional staff:				
2220 Educational media	148,200	148,200	153,095	(4,895)
2300 Support services - general administration:				
2320 Executive administration	2,250	2,250	1,691	559
2400 Support services - school administration:				
2410 Office of the Principal	750	750	552	198
2500 Support services - business:				
2520 Fiscal services	6,700	6,700	6,045	655
2530 Facilities acquisition and construction	116,225	206,225	184,506	21,719
2540 Operation and maintenance of plant	32,500	32,500	15,714	16,786
2550 Pupil transportation	68,930	68,930	221	68,709
5000 Debt services	546,000	1,026,500	1,011,380	15,120
6000 Co-curricular activities				
6900 Combined activities	43,400	43,400	52,334	(8,934)
<b>Total expenditures</b>	<b>1,150,925</b>	<b>1,721,445</b>	<b>1,680,051</b>	<b>41,394</b>

Groton Area School District 06-6  
 Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund  
 Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess of Revenue over Expenditures	898,686	328,166	230,089	(98,077)
Other Financing Sources (Uses)				
5510 Transfer in	-	-	1,226	1,226
8110 Transfers out	(600,000)	(600,000)	(600,000)	-
5120 General long-term debt issued	-	-	5,996,209	5,996,209
8150 Premium on bonds issued	-	-	(17,025)	17,025
Total other financing sources (uses)	(600,000)	(600,000)	5,380,410	6,014,460
Net Change in Fund Balances	298,686	(271,834)	5,610,499	5,916,383
Fund Balance - Beginning	1,535,115	1,535,115	1,535,115	-
Fund Balance - Ending	<u>\$ 1,833,801</u>	<u>\$ 1,263,281</u>	<u>\$ 7,145,614</u>	<u>\$ 5,916,383</u>

Groton Area School District 06-6  
 Budgetary Comparison Schedule – Budgetary Basis – Special Education Fund  
 Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 902,000	\$ 902,000	\$ 903,935	\$ 1,935
1120 Prior year's ad valorem taxes	3,000	3,000	5,227	2,227
1190 Penalties and interest on taxes	1,400	1,400	1,670	270
1900 Other revenue from local sources:				
1970 Charges for services	9,800	9,800	7,798	(2,002)
2000 Revenue from intermediate sources				
2200 Revenue in lieu of taxes	-	-	-	-
3000 Revenue from state sources				
3900 Other state revenue	5,700	5,700	5,740	40
	<u>921,900</u>	<u>921,900</u>	<u>924,370</u>	<u>2,470</u>
<b>Expenditures</b>				
1000 Instruction				
1200 Special programs:				
1220 Programs for special education	747,661	748,981	700,794	48,187
2000 Support services				
2100 Pupils:				
2130 Health	10,000	10,000	-	10,000
2140 Psychological	15,224	15,224	15,224	-
2150 Speech pathology	36,343	36,343	35,877	466
2170 Student therapy services	115,400	132,000	103,755	28,245
2300 Support services - general administration:				
2310 Board of Education	400	400	-	400
2700 Support services - special education:				
2710 Administrative costs	25,117	25,117	23,068	2,049
2730 Transportation costs	15,662	19,722	9,758	9,964
2740 Other health impairments	8,613	8,613	6,847	1,766
	<u>974,420</u>	<u>996,400</u>	<u>895,323</u>	<u>101,077</u>
Net Change in Fund Balances	(52,520)	(74,500)	29,047	103,547
Fund Balance - Beginning	<u>260,727</u>	<u>260,727</u>	<u>260,727</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 208,207</u>	<u>\$ 186,227</u>	<u>\$ 289,774</u>	<u>\$ 103,547</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, 2022

**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	6/30/2022	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	6/30/2022	\$ 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, 2021, Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2020, Actuarial Valuation. One change in actuarial assumptions and one plan provision change are reflected and described below.

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

#### **Benefit Provision Changes**

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

#### **Actuarial Assumption Changes**

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that, if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2020, and the July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.41%. For this June 30, 2021, Actuarial Valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

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

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

#### **Actuarial Method Changes**

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



**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, 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, 2022, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements, and have issued our report thereon dated December 11, 2023.

**Report 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 over financial reporting 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 responses as item 2022-001, 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 responses. The School District's response was not subjected to the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Aberdeen, South Dakota  
December 11, 2023

## **Current Audit Findings and Recommendations**

### **Finding 2022-001 – Preparation of Financial Statements and Footnotes including Significant Audit Journal Entries**

*Criteria:* The School District's internal control structure should be designed to provide for the preparation of the financial statements and footnotes, 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:* Groton Area School District 06-6 requested the external auditors to assist in the preparation of the financial statements and related footnotes for the year ended June 30, 2022. As part of the financial statement preparation process, at times, we propose material audit adjustments that are not identified as a result of the School District's existing internal controls and, therefore, could 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 and footnotes and could cause the need for auditors to, at times, 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.