

Northeast Technical High School

**Independent Auditor's Report
and Financial Statements**

**For the Year Ended
June 30, 2022**

Northeast Technical High School

School Officials

June 30, 2022

Board Members:

Bert Falak ----- Executive Committee
Jeff Danielsen ----- Executive Committee
Todd Obele ----- Executive Committee
Angela Heyn ----- Member
Dough Arndt ----- Member
Lynn Popham ----- Member
Nicky Watson ----- Member
Tammy Rieber ----- Member
Stuart Stein ----- Member
Kathy Roe ----- Member
Jeff Buchholz ----- Member
Jon Iverson ----- Member
Tami Jo Bronson ----- Member

Bert Falak ----- Director

Karen Beynon ----- Office Manager

Northeast Technical High School

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**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
Northeast Technical High School
Watertown, South Dakota

We have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of the Northeast Technical High School, as of June 30, 2022 and for the year then ended, and the related notes to the financial statements, which collectively comprise Northeast Technical High School basic financial statements and have issued our report thereon dated December 20, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northeast Technical High School’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northeast Technical High School’s internal control. Accordingly, we do not express an opinion on the effectiveness of Northeast Technical High School’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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings that we consider to be material weaknesses. We consider the deficiency described in the accompanying Schedule of Current Audit Findings as items 2022-001 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northeast Technical High School'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*.

Northeast Technical High School's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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. 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 "Elk Point LLC".

Elk Point, South Dakota
December 20, 2022

Northeast Technical High School
Schedule of Findings
For the Year Ended June 30, 2022

Findings – Financial Statement Audit

Significant Deficiency

Finding 2022-001 - Lack of Segregation of Duties

Criteria: Establishing a proper system of internal controls to segregate responsibilities and provide oversight and review of processes is the responsibility of management.

Condition: There is a lack of segregation of duties within the Business Office related to the preparations of reconciliations and over several areas including revenues and expenses.

Cause: This condition exists due to small staff size within the finance function of the School. These issues are common in a school of this size.

Effect: There is an increased likelihood that fraud or errors occurring and not being detected or corrected in a timely manner by employees or others in the ordinary course of performing their duties.

Auditor's Recommendation: Management may train Business Office personnel to perform additional responsibilities such that the Business Manager can provide oversight, or management could involve board members in the year-end close process.

Views of Responsible Officials: Management agrees with the finding.

Repeat Finding from Prior Year(s): Yes

Northeast Technical High School
Schedule of Prior Findings
For the Year Ended June 30, 2022

Findings – Financial Statement Audit

Significant Deficiency

Finding 2021-001 - Lack of Segregation of Duties

Analysis: Lack of segregation of duties could adversely affect the School's ability to record, process, summarize, and report financial data consistent with management assertions.

Recommendation: We recommend Northeast Technical High School's officials be cognizant of this lack of segregation of duties for revenues, expenditures, and payroll and attempt to provide compensating internal controls whenever possible and practical.

Current Status: This finding is repeated.



Independent Auditor's Report

To the School Board
Northeast Technical High School
Watertown, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northeast Technical High School as of June 30, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School'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, each major fund and the aggregate remaining fund information of the Northeast Technical High School as of June 30, 2022, and the respective changes in financial position 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 standard applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School 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.

Emphasis of Matter

As discussed in note 8 to the financial statements, in 2022, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, which has resulted in a restatement of the net position as of July 1, 2021. Our opinions are not modified with respect to this matter.

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'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'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's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2022, on our consideration of Northeast Technical High School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School'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 Northeast Technical High School's internal control over financial reporting and compliance.



Elk Point, South Dakota
December 20, 2022

Northeast Technical High School
Statement of Net Position – Government-Wide
June 30, 2022

| | Primary Government |
|--|------------------------------------|
| | Governmental Activities |
| Assets: | |
| Cash and cash equivalents | \$ 1,131,984 |
| Accounts receivable | 81 |
| Pension asset | 241,443 |
| Capital assets: | |
| Other capital assets, net of depreciation | 291,602 |
| Total Assets | 1,665,110 |
| Deferred Outflows of Resources: | |
| Pension-related deferred outflows | 334,713 |
| Liabilities: | |
| Other current liabilities | 119,965 |
| Total Liabilities | 119,965 |
| Deferred Inflows of Resources: | |
| Pension related deferred inflows | 466,815 |
| Total Deferred Inflows of Resources | 466,815 |
| Net Position: | |
| Net investment in capital assets | 291,602 |
| Restricted for: | |
| Capital outlay | 462,586 |
| SDRS pension purposes | 109,341 |
| Unrestricted | 549,514 |
| Total Net Position | \$ 1,413,043 |

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Northeast Technical High School
Statement of Activities – Government-Wide
June 30, 2022

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expenses) Revenues and Changes in Net Position</u> |
|-------------------------------|---------------------|---------------------------------|---|--|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Primary Government Governmental Activities</u> |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| Instruction | \$ 889,425 | \$ -- | \$ 82,607 | \$ (806,818) |
| Support Services | 322,779 | 1,157,630 | -- | 834,851 |
| Cocurricular Activities | 7,101 | -- | -- | (7,101) |
| Total Governmental Activities | <u>\$ 1,219,305</u> | <u>\$ 1,157,630</u> | <u>\$ 82,607</u> | <u>20,932</u> |
| General Revenues: | | | | |
| | | | | 565 |
| | | | | 138,983 |
| | | | | <u>139,548</u> |
| | | | | 160,480 |
| | | | | <u>1,252,563</u> |
| | | | | <u>\$ 1,413,043</u> |

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Northeast Technical High School
Balance Sheet – Governmental Funds
June 30, 2022

| | General | Capital Outlay | Total Governmental Funds |
|---|-------------------|---------------------------|---|
| Assets: | | | |
| Cash and cash equivalents | \$ 669,398 | \$ 462,586 | \$ 1,131,984 |
| Accounts receivable | 81 | -- | 81 |
| Total Assets | \$ 669,479 | \$ 462,586 | \$ 1,132,065 |
| Liabilities and Fund Balances: | | | |
| Liabilities: | | | |
| Contracts payable | 95,531 | -- | 95,531 |
| Payroll deductions and withholding and employer matching payable | 24,434 | -- | 24,434 |
| Total Liabilities | 119,965 | -- | 119,965 |
| Fund Balances: | | | |
| Restricted: | | | |
| For capital outlay | -- | 462,586 | 462,586 |
| Unassigned | 549,514 | -- | 549,514 |
| Total Fund Balances | 549,514 | 462,586 | 1,012,100 |
| Total Liabilities and Fund Balances | \$ 669,479 | \$ 462,586 | \$ 1,132,065 |

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Northeast Technical High School

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2022

| | |
|---|----------------------------|
| Total Fund Balances - Governmental Funds | \$ 1,012,100 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. | 241,443 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The cost of these assets, net of depreciation, is: | 291,602 |
| Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. | 334,713 |
| Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. | <u>(466,815)</u> |
| Net Position - Governmental Activities | <u><u>\$ 1,413,043</u></u> |

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Northeast Technical High School

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds June 30, 2022

| | <u>General</u> | <u>Capital Outlay</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---------------------------|---|
| Revenues | | | |
| Revenue from Local Sources: | | | |
| Tuition and Fees: | | | |
| Regular day school tuition | \$ 1,157,630 | \$ -- | \$ 1,157,630 |
| Earnings on Investment and Deposits: | 314 | 251 | 565 |
| Other Revenue from Local Sources: | | | |
| Other | 3,573 | 133,350 | 136,923 |
| Revenue from Federal Sources: | | | |
| Grants-in-Aid: | | | |
| Restricted grants-in-aid received from federal government through the state | 82,607 | -- | 82,607 |
| Total Revenues | <u>\$ 1,244,124</u> | <u>\$ 133,601</u> | <u>\$ 1,377,725</u> |
| Expenditures | | | |
| Instructional Services: | | | |
| Regular Programs | | | |
| High school | \$ 881,260 | \$ 19,586 | \$ 900,846 |
| Support Services: | | | |
| Instructional Staff | | | |
| Improvement of instruction | 14,161 | -- | 14,161 |
| General Administration | | | |
| Board of education | 17,486 | -- | 17,486 |
| Executive administration | 121,172 | -- | 121,172 |
| Business | | | |
| Fiscal services | 53,715 | -- | 53,715 |
| Facilities acquisition and construction | -- | 10,682 | 10,682 |
| Operation and maintenance of plant | 34,318 | 63,653 | 97,971 |
| Other Support Services | -- | 1,596 | 1,596 |
| Cocurricular Activities: | | | |
| Combined activities | 7,101 | -- | 7,101 |
| Capital Outlay | 65,276 | -- | 65,276 |
| Total Expenditures | <u>1,194,489</u> | <u>95,517</u> | <u>1,290,006</u> |
| Other Financing Sources | | | |
| Sale of surplus property | 2,060 | -- | 2,060 |
| Total Other Financing Sources (Uses) | <u>\$ 2,060</u> | <u>\$ --</u> | <u>\$ 2,060</u> |
| Net Change in Fund Balances | 51,695 | 38,084 | 89,779 |
| Fund Balance, Beginning | 497,819 | 424,502 | 922,321 |
| Fund Balance, Ending | <u>\$ 549,514</u> | <u>\$ 462,586</u> | <u>\$ 1,012,100</u> |

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Northeast Technical High School

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities June 30, 2022

| | | |
|---|----|-----------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 89,779 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| This amount represents capital outlays which are reported as expenditures on the fund financial statements but the costs of the assets are allocated over their estimated useful lives. | | 65,276 |
| This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. | | (59,961) |
| Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. | | <u>65,386</u> |
| Change in net position of governmental activities | \$ | <u><u>160,480</u></u> |

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Northeast Technical High School
Statement of Net Position – Fiduciary
June 30, 2022

| | <u>Custodial Funds</u> |
|---------------------------|------------------------|
| Assets: | |
| Cash and cash equivalents | \$ 41,420 |
| Accounts receivable | 1,200 |
| Total Assets | <u>42,620</u> |
| | |
| Total Net Position | <u>\$ 42,620</u> |

The accompanying Notes to Financial Statements are an integral part of this financial statement

Northeast Technical High School
Statement of Activities – Fiduciary
June 30, 2022

| | Custodial Funds |
|---|----------------------------|
| Additions | |
| Collections for student activities | \$ 22,868 |
| Total Additions | 22,868 |
| Deductions | |
| Payments for student activities | 36,613 |
| Total Deductions | 36,613 |
| Change in Net Position | (13,745) |
| Net Position - Beginning | -- |
| Restatement - Implementation of GASB 84 (See note 8) | 56,365 |
| Net Position - Beginning, as Restated | 56,365 |
| Net Position - Ending | \$ 42,620 |

The accompanying Notes to Financial Statements are an integral part of this financial statement

Northeast Technical High School

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies:

The accounting policies of the School conform to generally accepted accounting principles applicable to government entities in the United States of America.

a. Reporting Entity:

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

The School is a joint venture that is composed of nine Schools. These member Schools are Castlewood, Florence, Grant-Duel, Great Plains, Hamlin, Henry, Summit, Watertown and Waverly. The School was formed for the purpose of providing vocational education services to the member Schools.

The governing board is composed of three Watertown school board members and one school board member from each of the remaining Schools. This governing board is advised by an executive committee that is composed of the School's director, the superintendent of the Watertown School, and one other superintendent of a member School that is appointed by the governing board.

b. Government-Wide and Fund Financial Statements:

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the School as a whole. These statements include the financial activities of the overall government except for the fiduciary funds.

Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions

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 equal net position). Net Positions are displayed in three components, as applicable: net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School'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.

Northeast Technical High School

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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.

Northeast Technical High School Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, deferred inflows and outflows of resources, fund equity, revenues, and expenditures. Funds are organized into one major categories: governmental. Major individual governmental funds are reported in separate columns.

c. Fund Types and Major Funds:

An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is a primary operating fund of the School or if it meets the following criteria:

1. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year or because of public interest in the fund's operations.

The funds of the School are described below within their respective fund types:

Governmental Funds:

General Fund – The General Fund is established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the School, excluding Capital Outlay 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 School's special revenue funds are as follows:

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

Northeast Technical High School
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Fiduciary Funds:

Fiduciary Funds consist of the following sub-categories and are never considered to be major funds:

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

d. 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, governmental 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 fiduciary funds.

Basis of Accounting:

Government-Wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental 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).

Northeast Technical High School
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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 School considers significant revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

Receivables, such as taxes receivable and grants receivable, 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 deferred inflows of resources are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Expenditures are generally recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

All 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.

e. Cash and Cash Equivalents:

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

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months.

f. Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS' fiduciary net position have been determined on the same basis as they are reported by SDRS. School contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

g. Capital Assets:

Capital assets include land, buildings, improvements, 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 of capital assets depends on whether the assets are reported in the government-wide or fund financial statements.

Northeast Technical High School
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Government-Wide Financial Statements:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The School has borrowed no money for construction of fixed assets. Should the School borrow funds for construction of fixed assets, interest costs incurred during construction of general capital assets will not be capitalized along with other capital assets costs.

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

| | Capitalization Threshold | Depreciation Method | Estimated Useful Life |
|--------------|-------------------------------------|--------------------------------|----------------------------------|
| Land | All | -- | -- |
| Buildings | \$ 50,000 | Straight-line | 50 years |
| Improvements | \$ 15,000 | Straight-line | 10-50 years |
| Equipment | \$ 5,000 | Straight-line | 2-20 years |

Depreciation/Amortization expense is calculated using the straight-line and composite methods. Depreciation/Amortization of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities. 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

h. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The School does not currently have any long-term liabilities.

Northeast Technical High School
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

i. Net Position and Fund Balance:

Government-Wide Financial Statements:

It is the School'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 positions are available. Net position includes the following three components:

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 capital outlay certificates of other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted – 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.

Unrestricted – Represents all other net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements:

Governmental fund equity is classed as fund balance, which is distinguished between the following classifications:

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted – Constraints are placed on the use of resources by either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Unassigned – Represents fund balance that has not been assigned to other funds and that has not been restricted or assigned.

The School uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the School would first use assigned, then unassigned amounts of unrestricted fund balance when expenditures are made. The School does not have a minimum fund balance policy.

Northeast Technical High School
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

j. Program Revenues:

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

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.

Program Revenues – Operating Grants and Contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the use in a particular program.

Program Revenues – 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.

2. Deposits and Investments:

The School follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Statutes impose various restrictions on deposits and investments. These restrictions are summarized below:

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund of the fund making the investment. The School's policy is to credit all income from investments to the General Fund. The School also reports deposits at cost plus interest and credits all income from deposits to the General Fund.

Northeast Technical High School
Notes to the Financial Statements
June 30, 2022

2. Deposits and Investments:

Investments – In general, SDCL 4-5-6 permits School funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments

to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Certificates of deposit, with a term to maturity of greater than 3 months when purchased, were insured, or collateralized and are considered deposits.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk. As of June 30, 2022, the School's deposits in financial institutions were not exposed to credit risk as all deposits were fully collateralized by pledged securities.

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

Concentrations of Credit Risk – The School places no limit on the amount that may be deposited with any one financial institution or invested with any one issuer.

Interest Rate Risk – The School 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.

Northeast Technical High School
Notes to the Financial Statements
June 30, 2022

3. Changes in Capital Assets:

A summary of changes in capital assets for the year ended June 30, 2022 is as follows:

| | <u>Balance 07/01/2021</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance 6/30/2022</u> |
|---|-------------------------------|------------------|------------------|------------------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ -- | \$ -- | \$ -- | \$ -- |
| Total capital assets not being depreciated | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Capital assets being depreciated: | | | | |
| Improvements | 50,715 | -- | -- | 50,715 |
| Equipment | 833,511 | 65,276 | (11,175) | 887,612 |
| Total capital assets being depreciated | <u>884,226</u> | <u>65,276</u> | <u>(11,175)</u> | <u>938,327</u> |
| Less accumulated depreciation for: | | | | |
| Improvements | 10,143 | 5,072 | -- | 15,215 |
| Equipment | 587,796 | 54,889 | (11,175) | 631,510 |
| Total accumulated depreciation | <u>597,939</u> | <u>59,961</u> | <u>(11,175)</u> | <u>646,725</u> |
| Total capital assets being depreciated, net | <u>286,287</u> | <u>5,315</u> | <u>--</u> | <u>291,602</u> |
| Net Capital Assets | <u>\$ 286,287</u> | <u>\$ 5,315</u> | <u>\$ --</u> | <u>\$ 291,602</u> |

Depreciation/Amortization expense was charged to governmental functions as follows:

| | |
|----------------------------|------------------|
| Governmental activities | |
| Instruction | \$ 53,965 |
| Support services | 5,996 |
| Total Depreciation Expense | <u>\$ 59,961</u> |

Northeast Technical High School
Notes to the Financial Statements
June 30, 2022

4. Restricted Net Position:

The following table shows the components of restricted net position as presented on the Statement of Net Position:

| Purpose | Restricted By | Amount |
|-----------------------|---------------|------------|
| Major Purposes: | | |
| Capital Outlay | Law | \$ 462,586 |
| SDRS Pension Purposes | Law | 109,341 |
| Total | | \$ 571,927 |

5. Pension Plan:

a. 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 vest after three years of credited service. Authority for establishing, administering, and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

b. 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 retirements that do not meet the above criteria may be payable at a reduced level.

Northeast Technical High School
Notes to the Financial Statements
June 30, 2022

5. Pension Plan: (Continued)

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

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

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

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

c. 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's share of contributions to the SDRS for the years ended June 30, were:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2022--- | \$45,071 |
| 2021--- | \$42,927 |
| 2020--- | \$44,803 |

Northeast Technical High School
Notes to the Financial Statements
June 30, 2022

5. Pension Plan: (Continued)

d. Pension Liabilities (Assets), Pension Expense (Revenue), 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 share of the components of the net pension (asset) of the South Dakota Retirement System, for the School as of the measurement period ending June 30, 2021 and reported by the School as of June 30, 2022 are as follows:

| | |
|---|--------------|
| Proportionate share of pension liability | \$ 4,371,651 |
| Less proportionate share of net pension restricted for pension benefits | 4,613,094 |
| Proportionate share of net pension (asset) | \$ (241,443) |

At June 30, 2022, the School reported an (asset) of (\$241,443) for its proportionate share of the net pension (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's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the School's proportion was .03152700%, which is a decrease of .0024966% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School recognized a reduction of pension expense of \$64,588. At June 30, 2022, the School 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 | \$ 8,668 | \$ 633 |
| Changes in assumption | 277,657 | 120,912 |
| Net difference between projected and actual earnings on pension plan investments | -- | 344,906 |
| Changes in proportion and difference between School District contributions and proportionate share of contributions | 3,317 | 364 |
| School District contributions subsequent to the measurement date | 45,071 | -- |
| Total | \$ 334,713 | \$ 466,815 |

Northeast Technical High School
Notes to the Financial Statements
June 30, 2022

5. Pension Plan: (Continued)

\$45,071 reported as deferred outflow of resources related to pensions resulting from School contributions subsequent to the measurement date 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 revenue as follows:

| Year Ended | | |
|-------------------|----|------------------|
| June 30, | | |
| 2023 | \$ | (43,169) |
| 2024 | | (28,912) |
| 2025 | | (8,057) |
| 2026 | | (97,035) |
| Thereafter | | -- |
| Total | \$ | <u>(177,173)</u> |

e. 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 | graded by years of service, from 6.5% at entry to 3% 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.

Northeast Technical High School
Notes to the Financial Statements
June 30, 2022

5. Pension Plan: (Continued)

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:

| Asset Class | Target Allocation | Expected Real Rate of Return |
|--------------------|--------------------------|-------------------------------------|
| Global equity | 58.0% | 4.3% |
| Fixed income | 30.0% | 1.6% |
| Real estate | 10.0% | 4.6% |
| Cash | 2.0% | 0.9% |
| Total | 100.0% | |

f. 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 from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

g. Sensitivity of liability (asset) to changes in the discount rate:

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|--------------------|------------------------------|--------------------|
| District's proportionate share of the net pension liability (asset) | \$ 390,956 | \$ (241,443) | \$ (754,804) |

h. Pension Plan Fiduciary Net Position:

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

Northeast Technical High School
Notes to the Financial Statements
June 30, 2022

6. Risk Management:

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2022, the School managed its risks as follows:

Employee Health Insurance:

The school participates in the Watertown School's group health self-insurance fund. The fund pays for health and dental claims of employees and their covered dependents. Premiums paid to the fund are actuarially determined, and they cover the cost of processed claims, administrative costs, network participation fees, and the cost of individual stop-loss insurance at the coverage lever of \$100,000 per covered individual per year with an additional aggregating specific of \$150,000. No aggregate stop-loss insurance was purchased during the year ended June 30, 2022.

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

Liability Insurance:

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

Workers' Compensation:

The School purchases liability insurance for worker's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits:

The School has elected to be self-insured and retain all risk for liabilities resulting in claims for unemployment benefits. Unemployment claims, if any, are intended to be paid from current year appropriations, normally from the General Fund.

Claims are billed by the state quarterly. During the year ended June 30, 2022, no claims had been filed and paid for unemployment benefits and none deemed to be of a material nature are anticipated in the next fiscal year.

7. Subsequent Events:

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

Northeast Technical High School
Notes to the Financial Statements
June 30, 2022

8. Restatement and Implementation of New Standards:

In 2022, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities accounting standard. This standard improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of this standard required that the District present a Statement of Changes in Fiduciary Net Position for Custodial Funds for 2022. The implementation of this standard required the District to reclassify previously reported agency funds as custodial funds. The adjustment to beginning fund balance is as follows:

| <u>Fiduciary Activities - Custodial Funds:</u> | |
|---|------------------|
| Net Position - June 30, 2021, as previously reported | \$ -- |
| Restatement due to the inclusion of amounts held for others | <u>56,365</u> |
| Net Position - July 1, 2021, as restated | <u>\$ 56,365</u> |

Required Supplementary Information

Northeast Technical High School
Required Supplementary Information –
Budgetary Comparison Schedule – General Fund – Budgetary Basis
June 30, 2022

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Revenue from Local Sources: | | | | |
| Tuition from other state LEA's | \$ 1,157,630 | \$ 1,157,630 | \$ 1,157,630 | \$ -- |
| Earnings on Investments and Deposits | 200 | 200 | 314 | 114 |
| Other Revenue from Local Sources: | | | | |
| Other | -- | -- | 3,573 | 3,573 |
| Revenue from Federal Sources: | | | | |
| Grants-in-Aid | | | | |
| Restricted grants-in-aid received from federal government through the state | 82,607 | 82,607 | 82,607 | -- |
| Total Revenues | <u>\$ 1,240,437</u> | <u>\$ 1,240,437</u> | <u>\$ 1,244,124</u> | <u>\$ 3,687</u> |
| Expenditures | | | | |
| Instructional Services: | | | | |
| Regular programs | | | | |
| High school | 966,867 | 966,867 | 946,536 | 20,331 |
| Support Services: | | | | |
| Instructional Staff | | | | |
| Improvement of instruction | 22,401 | 22,401 | 14,161 | 8,240 |
| General Administration | | | | |
| Board of education | 23,277 | 23,277 | 17,486 | 5,791 |
| Executive administration | 124,017 | 124,017 | 121,172 | 2,845 |
| Business | | | | |
| Fiscal services | 55,015 | 55,015 | 53,715 | 1,300 |
| Operation and maintenance of plant | 39,606 | 39,606 | 34,318 | 5,288 |
| Cocurricular Activities: | | | | |
| Combined activities | 9,254 | 9,254 | 7,101 | 2,153 |
| Total Expenditures | <u>1,240,437</u> | <u>1,240,437</u> | <u>1,194,489</u> | <u>45,948</u> |
| Other Financing Sources | | | | |
| Sale of surplus property | -- | -- | 2,060 | 2,060 |
| Total Other Financing Sources (Uses) | <u>--</u> | <u>--</u> | <u>2,060</u> | <u>2,060</u> |
| Net Change in Fund Balances | -- | -- | 51,695 | 51,695 |
| Fund Balance, Beginning | 497,819 | 497,819 | 497,819 | -- |
| Fund Balance, Ending | <u>\$ 497,819</u> | <u>\$ 497,819</u> | <u>\$ 549,514</u> | <u>\$ 51,695</u> |

The accompanying Notes to Required Supplementary Information are an integral part of this financial statement.

Northeast Technical High School
 Required Supplementary Information –
 Budgetary Comparison Schedule – Capital Outlay Fund – Budgetary Basis
 June 30, 2022

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|-------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Revenue from Local Sources: | | | | |
| Earnings on Investments and Deposits | \$ 200 | \$ 200 | \$ 251 | \$ 51 |
| Other Revenue from Local Sources | | | | |
| Other | 133,350 | 133,350 | 133,350 | -- |
| Total Revenues | <u>\$ 133,550</u> | <u>\$ 133,550</u> | <u>\$ 133,601</u> | <u>\$ 51</u> |
| Expenditures | | | | |
| Instructional Services: | | | | |
| Regular programs | | | | |
| High school | 53,700 | 53,700 | 19,586 | 34,114 |
| Support Services: | | | | |
| General Administration | | | | |
| Executive administration | 550 | 550 | -- | 550 |
| Business | | | | |
| Facilities acquisition and construction | 14,000 | 14,000 | 10,682 | 3,318 |
| Operation and maintenance of plant | 63,700 | 63,700 | 63,653 | 47 |
| Other support services | 1,600 | 1,600 | 1,596 | 4 |
| Total Expenditures | <u>133,550</u> | <u>133,550</u> | <u>95,517</u> | <u>38,033</u> |
| Net Change in Fund Balances | -- | -- | 38,084 | 38,084 |
| Fund Balance, Beginning | 424,502 | 424,502 | 424,502 | -- |
| Fund Balance, Ending | <u>\$ 424,502</u> | <u>\$ 424,502</u> | <u>\$ 462,586</u> | <u>\$ 38,084</u> |

The accompanying Notes to Required Supplementary Information are an integral part of this financial statement.

Northeast Technical High School
Notes To The Required Supplementary Information
June 30, 2022

Note 1 – Basis Of Presentation

The Budgetary Comparison Schedules have been prepared on the modified accrual basis of accounting. The Budgetary Comparison Schedules present capital outlay expenditures within each function while the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds present capital outlay expenditures as a separate function.

Note 2 – Budgets And Budgetary Accounting

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

1. Prior to the first regular board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except Fiduciary funds.
6. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted except as indicated in number (8).
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total School budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets when monies are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school Board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
11. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Northeast Technical High School
Schedule of the Proportionate Share of the Net Pension Liability (Asset)
South Dakota Retirement System

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|--------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| District's proportion of the net pension liability (asset) | 0.0315270% | 0.0340236% | 0.0366890% | 0.0369385% | 0.0363185% | 0.0344822% | 0.0357266% | 0.0335089% |
| District's proportionate share of net pension liability (asset) | \$ (241,443) | \$ (1,478) | \$ (3,888) | \$ (861) | \$ (3,296) | \$ 116,477 | \$ (151,527) | \$ (241,418) |
| District's covered-employee payroll | \$ 715,442 | \$ 746,716 | \$ 780,080 | \$ 767,909 | \$ 737,920 | \$ 655,681 | \$ 653,079 | \$ 586,358 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 33.75% | 0.20% | 0.50% | 0.11% | 0.45% | 17.76% | 23.20% | 41.17% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 105.52% | 100.04% | 100.09% | 100.02% | 100.10% | 96.89% | 104.1% | 107.3% |

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

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.

The accompanying Notes to Required Supplementary Information are an integral part of this financial statement.

Northeast Technical High School
Schedule of the School Contributions
South Dakota Retirement System

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually-required contribution | \$ 45,071 | \$ 42,927 | \$ 44,803 | \$ 46,805 | \$ 46,075 | \$ 44,275 | \$ 39,341 | \$ 39,136 | \$ 35,159 |
| Contributions in relation to the contractually-required contribution | <u>45,071</u> | <u>42,927</u> | <u>44,803</u> | <u>46,805</u> | <u>46,075</u> | <u>44,275</u> | <u>39,341</u> | <u>39,136</u> | <u>35,159</u> |
| Contribution deficiency (excess) | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |
| District's covered-employee payroll | \$ 751,177 | \$ 715,442 | \$ 746,716 | \$ 780,080 | \$ 767,909 | \$ 737,920 | \$ 655,681 | \$ 653,079 | \$ 586,358 |
| Contributions as a percentage of employee-covered payroll | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% |

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

The accompanying Notes to Required Supplementary Information are an integral part of this financial statement.

Northeast Technical High School
Notes to Required Supplementary Information
For the Year Ended June 30, 2022

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 two plan provision changes 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 summed to equal the baseline COLA assumption of 2.25%.

The change in the COLA assumption increased the Actuarial Accrued Liability of \$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.