

Sioux Falls School District 49-5



Financial Report
June 30, 2022

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Independent Auditor's Report

To the School Board
Sioux Falls School District 49-5
Sioux Falls, South Dakota

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Sioux Falls School District 49-5 (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.

Qualified Opinion on Food Service Fund and Business-Type Activities

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Food Service Fund and the Business-Type Activities of the School District as of June 30, 2022, and the 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.

Unmodified Opinions on Governmental Activities, Aggregate Discretely Presented Component Unit, Each Major Governmental Fund, and Aggregate Remaining Fund Information

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 aggregate discretely presented component unit, each major governmental fund, and the aggregate remaining fund information of the School District, 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.

We did not audit the financial statements of Southeast Technical Institute Housing Foundation, which is presented as a sole discretely presented component unit of the School District as of June 30, 2022. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Southeast Technical Institute Housing Foundation, is based solely on the report of the other auditors.

Basis for Qualified and Unmodified 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 qualified and unmodified audit opinions.

Matters Giving Rise to Qualified Opinions on Food Service Fund and Business-Type Activities

We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the School District's Food Service Fund inventory as of June 30, 2022, and cost of sales related to food inventory for the year then ended because inventory observation procedures were not performed under the expectation that the Food Service Fund would not classify as a major fund in line with prior years and inventory within the Food Service Fund would not be material to the Aggregate Remaining Funds opinion unit. We were also unable to obtain sufficient appropriate audit evidence regarding the carrying value of year-end Food Service Fund inventory through other alternative means. As the inventory balance is material to both the Food Service Fund and Business-Type Activities opinion units, our opinion on each is qualified with respect to this matter.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the School District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, as a result of implementing this standard, there was no effect on beginning net position or fund balance 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 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 management's discussion and analysis, pension schedules, OPEB schedules, and budgetary comparison information 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining balance sheets and combining statements of revenues, expenditures, and changes in fund balances – nonmajor governmental funds, combining statements of net position and combining statements of revenues, expenses, and changes in net position – nonmajor enterprise funds, combining statements of net position and combining statements of revenues, expenses, and changes in net position – internal service funds, combining statements of fiduciary net position and combining statements of changes in fiduciary net position – custodial funds, and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (collectively, the "supplementary information") are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 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.

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

Aberdeen, South Dakota
March 27, 2023

This section of the annual financial report of the Sioux Falls School District 49-5 (the District) presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2022. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The District's net position from governmental and business-type activities increased by approximately \$35,700,000. Net position increased as a result of capital outlay revenue in excess of depreciation and other capital outlay expenses of approximately \$11,400,000, special education fund revenue in excess of expenses of approximately \$2,400,000, plus an increase in net pension asset of approximately \$53,700,000, partially offset by a reduction in net pension-related deferred outflows and inflows of approximately \$38,800,000.
- During the year, the District's total revenues of \$365,510,178 were composed of general revenues in the amount of \$249,463,375 and program revenues totaling \$116,046,803.
- As of June 30, 2022, the District's governmental funds reported combined ending fund balances of \$151,342,557, an increase of \$59,480,573 compared with the prior year. This increase is mainly due to unspent proceeds from the issuance of Series 2022 General Obligation Bonds of approximately \$37,700,000, plus revenues over expenditures of approximately \$21,500,000 in the other governmental funds.
- The general fund reported an increase in fund balance of \$2,446,849 leaving an ending fund balance of \$32,279,777. The unassigned portion of this ending fund balance was \$26,139,003 or 12.84 percent of total general fund expenditures.

Overview of the Financial Statements

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District's government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities that the District operates like businesses, such as food services.
- Fiduciary fund statements provide information about the financial relationships—like flexible spending accounts for employees—in which the District acts solely as an agent for the benefit of others, to whom the resources belong.

Overview of the Financial Statements (Continued)

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, each of which are added together and presented in a single column in the basic financial statements.

Figure 1
Required Components of the Annual Financial Report of the Sioux Falls School District 49-5

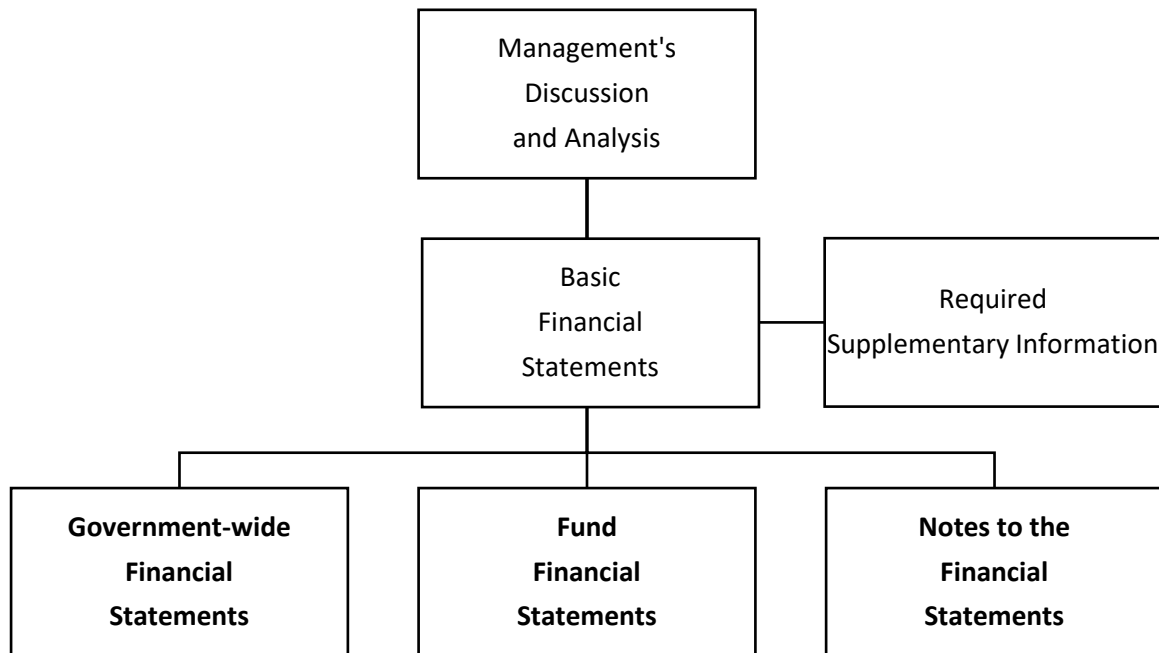


Figure 2 summarizes the major features of the District's financial statements, including the portion of the District's government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Overview of the Financial Statements (Continued)

Figure 2 Major Features of Government-wide and Fund Financial Statements

	Government-wide Statements	Governmental Funds	Fund Financial Statements Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses, such as food service and adult education	Instances in which the District is the agent for someone else's resources
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the District's fiduciary funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities as well as deferred outflows and inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources—is one way to measure the District's financial health or position.

- Increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and changes in the state school aid funding formula from the State of South Dakota.

The government-wide financial statements of the District are reported in three categories:

- **Governmental activities:** This category includes the District's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants, and interest earnings finance most of these activities.
- **Business-type activities:** The District charges fees to help cover the costs of providing certain services. Food services, adult education, and bookstore services are the major activities included here.
- **Component unit:** The District separately reports the activities of Southeast Technical Institute Housing Foundation.

The government-wide financial statements can be found on pages 20 and 21 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant, or "major," funds—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- State law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes (like paying the District's general obligation bonds, managing construction projects, or managing medical insurance premiums and claims).

Fund Financial Statements (Continued)

The District has three kinds of funds:

- **Governmental funds:** Most of the District's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information with the governmental funds statements that explains the relationship (or differences) between them.

The Sioux Falls School District maintains 10 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, capital outlay, special education, post-secondary vocational, and capital improvement project funds since these are considered major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 22 through 29 of this report.

- **Proprietary funds:** Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information.
 - Enterprise funds (one type of proprietary fund) are the District's business-type activities reported on the government-wide financial statements, but the fund statements provide more detail and additional information, such as cash flows.
 - Internal service funds (the other kind of proprietary fund) are used to report activities that provide supplies and services for the District's other programs and activities. The District has two internal service funds—the Group Health Insurance Fund and the Reprographics Fund.

The basic proprietary fund financial statements can be found on pages 30 through 32 of this report.

- **Fiduciary funds:** The District is the agent, or fiduciary, for assets that belong to others, such as flexible spending accounts for employees. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

The basic fiduciary fund financial statements can be found on pages 33 and 34 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35 through 62 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This information is in the form of budgetary comparison schedules for the District's four major governmental funds and excludes major capital project funds. These schedules are accompanied by notes to the required supplementary information which explain the schedules and contain certain other budgetary information. Required supplementary information and notes can be found on pages 63 through 76 of this report.

The combining statements for the nonmajor funds referred to earlier are presented immediately following the required supplementary information on budgets.

Financial Analysis of the District as a Whole

Net Position

The District's combined net position was as follows:

Table 1
Sioux Falls School District 49-5
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
Assets						
Current and other assets	\$ 220,165,767	\$ 332,157,308	\$ 8,644,247	\$ 14,288,171	\$ 228,810,014	\$ 346,445,479
Capital assets and right to use assets, net	388,347,607	394,925,359	3,060,862	3,718,759	\$ 391,408,469	398,644,118
Total assets	608,513,374	727,082,667	11,705,109	18,006,930	620,218,483	745,089,597
Deferred outflows of resources	76,541,361	101,859,287	2,607,863	4,551,431	79,149,224	106,410,718
Liabilities						
Long-term liabilities	283,989,317	284,517,024	796,513	-	284,785,830	284,517,024
Other liabilities	44,685,698	93,371,403	1,792,334	3,674,022	46,478,032	97,045,425
Total liabilities	328,675,015	377,888,427	2,588,847	3,674,022	331,263,862	381,562,449
Deferred inflows of resources	108,785,823	171,091,251	2,113,660	5,909,788	110,899,483	177,001,039
Net Position						
Net investment in capital assets	174,732,248	175,173,968	3,060,862	3,718,759	177,793,110	178,892,727
Restricted	51,868,033	84,020,096	467,112	1,341,594	52,335,145	85,361,690
Unrestricted	20,993,616	20,768,212	6,082,491	7,914,198	27,076,107	28,682,410
Total net positions	\$ 247,593,897	\$ 279,962,276	\$ 9,610,465	\$ 12,974,551	\$ 257,204,362	\$ 292,936,827

Financial Analysis of the District as a Whole (Continued)

Net Position (Continued)

By far, the largest portion of the District's total assets reflects its net investment in capital assets. These capital assets are used to provide educational services; consequently, they are not available for future spending. The District's net investment in capital assets was \$178,892,727. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. Total net capital assets increased as a result of construction and renovation activities of the Capital Improvement Plan, High School Project, and Middle School Project Funds in excess of depreciation.

Current and other assets increased by \$117,635,465 from June 30, 2021 to June 30, 2022, mainly due to proceeds from issuance of the Series 2022 general obligation bonds of approximately \$52,200,000, plus an increase in net pension asset of approximately \$53,700,000, and an increase in cash from operating revenues over expenditures. The increase of deferred outflows of resources of \$27,261,494, and the increase in deferred inflows of resources of \$66,101,556 are primarily attributable to the difference between project and actual return on pension plan assets and changes in assumptions of the South Dakota Retirement System (SDRS) Pension Trust Fund. Total liabilities increased by \$50,298,587 mainly due to the issuance of long-term debt in excess of debt repayments of approximately \$39,600,000, plus an increase in OPEB liabilities of approximately \$6,600,000 and an increase in accrued wages and related benefits of approximately \$2,000,000.

As of June 30, 2022, the District reported \$85,361,690 of net position that is subject to external restrictions on how they may be used. This restricted net position includes all of the District's special revenue funds, since State statute dictates that this position be used for the specific purposes of the funds, such as for capital outlay, special education, and post-secondary education purposes. Restricted net position also includes the District's proportionate share of SDRS pension-related amounts. Restricted net position increased by \$33,026,545 during the year ended June 30, 2022, due to an increase in the fund balances in the capital outlay and special education funds of approximately \$13,800,000, plus an increase in net pension asset of approximately \$53,700,000 and an increase in amounts restricted for debt service of approximately \$3,800,000, offset by an increase in net pension-related deferred outflows and inflows of approximately \$38,800,000.

The District's unrestricted net position increased by approximately \$1,600,000, mainly due to revenues over expenditures of approximately \$2,400,000 in the general fund, offset by expenses in excess of revenues of approximately \$1,900,000 in the internal service funds.

Financial Analysis of the District as a Whole (Continued)

Changes in Net Position

The District's combined revenues and expenses were as follows:

Table 2
Sioux Falls School District 49-5
Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
Revenues						
Program Revenues:						
Charges for services	\$ 14,296,369	\$ 16,683,826	\$ 8,034,862	\$ 9,312,451	\$ 22,331,231	\$ 25,996,277
Operating grants and contributions	72,006,593	59,902,320	11,905,177	18,467,843	83,911,770	78,370,163
Capital grants and contributions	-	11,680,363	27,029	-	27,029	11,680,363
General Revenues:						
Taxes	135,524,123	141,395,332	-	-	135,524,123	141,395,332
Revenue from state sources	89,651,423	96,798,558	42,208	-	89,693,631	96,798,558
Revenue from federal sources	-	372,536	-	-	-	372,536
Other general revenues	7,376,782	10,321,326	562,840	-	7,939,622	10,321,326
Unrestricted investment earnings	828,315	572,766	1,419	2,857	829,734	575,623
Total revenues	319,683,605	337,727,027	20,573,535	27,783,151	340,257,140	365,510,178
Expenses						
Instruction	183,657,336	172,979,841	3,035,995	-	186,693,331	172,979,841
Support services	108,785,677	111,394,347	-	-	108,785,677	111,394,347
Community services	273,994	241,255	3,952,118	6,686,817	4,226,112	6,928,072
Nonprogrammed charges	3,021,206	4,182,735	-	-	3,021,206	4,182,735
Co-curricular activities	5,803,082	7,652,591	-	-	5,803,082	7,652,591
Debt service	6,257,110	8,631,879	-	-	6,257,110	8,631,879
Food services	-	-	13,121,419	15,900,345	13,121,419	15,900,345
Post-secondary bookstore services	-	-	1,478,622	1,630,367	1,478,622	1,630,367
Post-secondary childcare	-	-	-	317,260	-	317,260
House construction	-	-	-	160,276	-	160,276
Total expenses	307,798,405	305,082,648	21,588,154	24,695,065	329,386,559	329,777,713
Increase (decrease) in net position before transfers	11,885,200	32,644,379	(1,014,619)	3,088,086	10,870,581	35,732,465
Transfers	(124,000)	(276,000)	124,000	276,000	-	-
Change in net position	11,761,200	32,368,379	(890,619)	3,364,086	10,870,581	35,732,465
Net position-beginning	235,832,697	247,593,897	10,501,084	9,610,465	246,333,781	257,204,362
Net position-ending	\$247,593,897	\$279,962,276	\$ 9,610,465	\$ 12,974,551	\$257,204,362	\$292,936,827

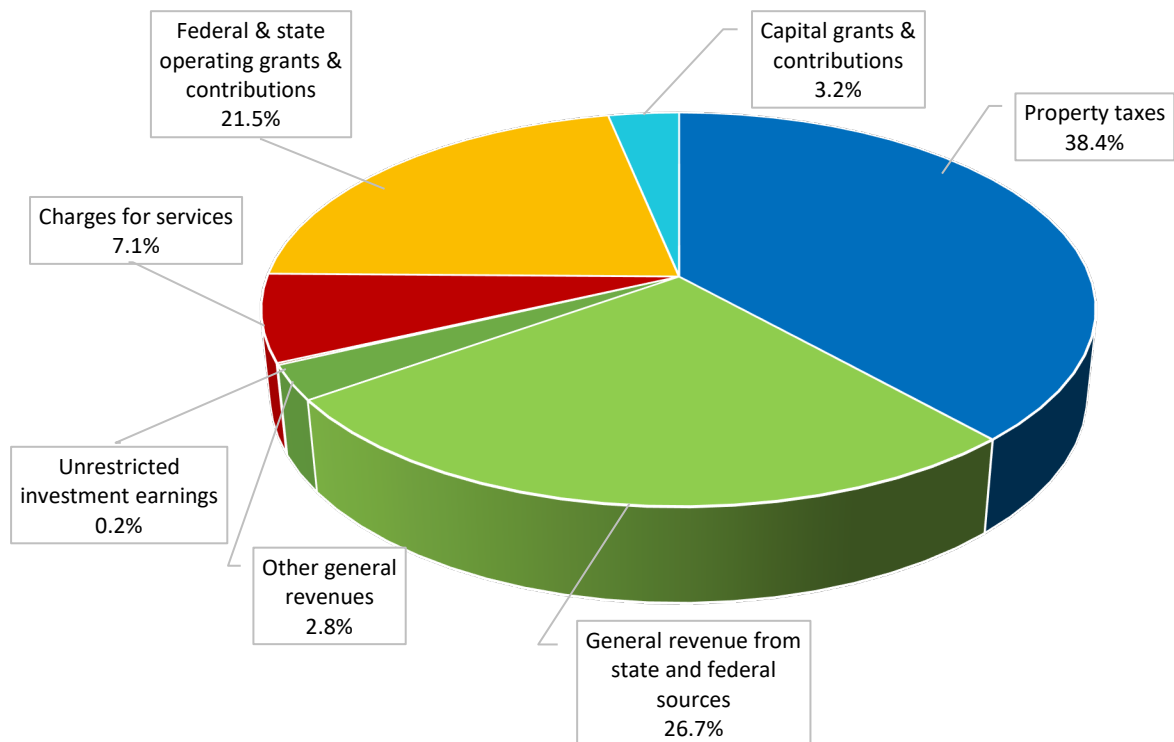
Financial Analysis of the District as a Whole (Continued)

Changes in Net Position (Continued)

The District's total revenues increased by \$25,253,038 mainly due to an increase in state aid and property taxes of approximately \$11,000,000 and an increase in capital grants and contributions of approximately \$12,000,000.

Over one-third of the District's revenue comes from property and other taxes, and approximately one-fourth comes from general state aid. (See Figure 1.)

Figure 3
Sioux Falls School District 49-5
Sources of Revenues for Fiscal Year 2022



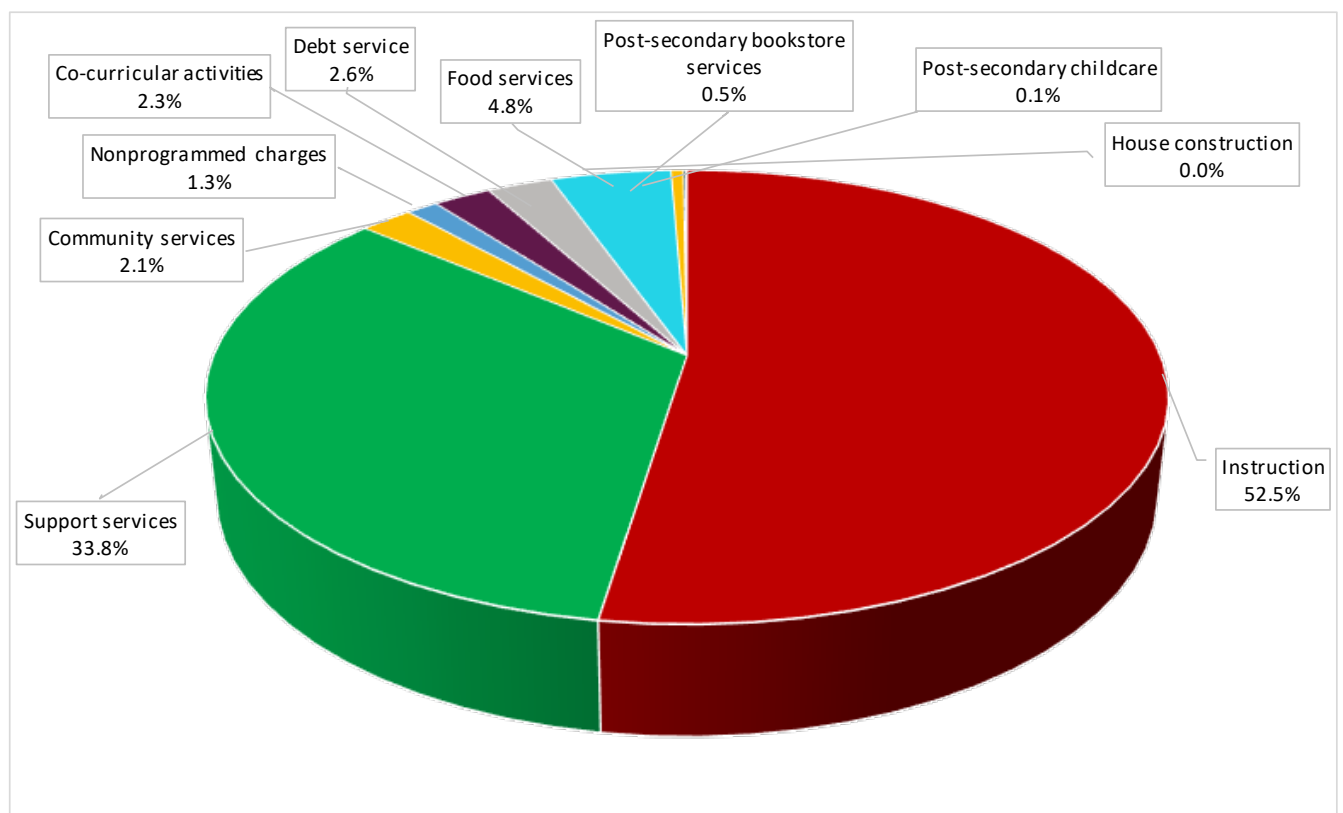
Financial Analysis of the District as a Whole (Continued)

Changes in Net Position (Continued)

The District's total expenses for 2022 were \$329,777,713, representing an increase of \$391,154.

Over half of the total expenses were spent on instruction with approximately one-third for support services. (See Figure 2.)

Figure 4
Sioux Falls School District 49-5
Functional Expense for Fiscal Year 2022



Financial Analysis of the District's Funds

Governmental Funds

The focus of the Sioux Falls School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$151,342,557, an increase of \$59,480,573 during the current fiscal year. Approximately 17.27 percent of the ending fund balances, or \$26,139,003, constitutes unassigned fund balances, which are generally available for spending at the District's discretion. Approximately 2.92 percent, or \$4,421,924, constitutes assigned fund balance for the hail damage project fund and next year's budget in the general fund. Restricted fund balances are amounts restricted to specific purposes by law or creditors and include amounts in special revenue funds that can be spent at the District's discretion within the purposes of the funds. These restricted special revenue fund balances are within the 1) capital outlay fund \$38,886,592; 2) special education fund \$9,445,344; and 3) post-secondary vocational fund \$3,868,348. Additional fund balances restricted or committed for specific purposes include 1) debt service \$10,955,879; 2) construction projects \$54,998,864; and 3) superintendent deferred compensation \$35,237. The remainder of the fund balances are amounts that cannot be spent and consist of \$2,591,366 of inventory and prepaid expenses.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$26,139,003, while total fund balance was \$32,279,777. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 12.84 percent of total general fund expenditures, while total fund balance represents 15.86 percent of that same amount.

The fund balance of the District's general fund increased by \$2,446,849 during the current fiscal year. The District had originally budgeted to decrease fund balance by \$2,822,026 which was supplementally revised to use approximately \$4,800,000 of cash from fund balance for the current fiscal year. However, total expenditures were under budget by approximately \$1,300,000. In addition, revenues exceeded budget by approximately \$11,000,000. Due to revenues in excess of expenditures, budgeted transfers in of \$5,100,000 were not made.

The fund balance of the District's capital outlay fund increased by \$11,374,042 during the current fiscal year to \$45,044,674 as of June 30, 2022. The District had originally budgeted to increase fund balance by \$1,806,558, which was supplementally revised to decrease fund balance by approximately \$760,000. However, total expenditures were under budget by approximately \$10,000,000, mainly in capital acquisitions. In addition, a budgeted transfer out to the general fund of \$5,100,000 was not done due to revenues in excess of expenditures in the general fund. These differences were offset by federal revenues being under budget by approximately \$3,700,000.

The fund balance of the District's special education fund increased by \$2,443,741 to \$9,445,344 as of June 30, 2022. The District had budgeted to decrease fund balance by approximately \$700,000. However, total expenditures were under budget by approximately \$2,100,000. In addition, federal revenue exceeded budget by approximately \$1,400,000.

Financial Analysis of the District's Funds (Continued)

Governmental Funds (Continued)

The fund balance of the District's post-secondary vocational fund increased by \$58,693 to \$4,350,810 as of June 30, 2022. The District had originally budgeted to decrease fund balance by \$152,000. However, total expenditures were under budget by approximately \$1,300,000, offset by revenues under budget by approximately \$1,000,000, mostly in tuition and fees, and federal revenue.

Proprietary Funds

The District's enterprise funds showed an increase in net position of \$3,364,086 to \$12,974,551 as of June 30, 2022. The operating increase is due primarily to the food service fund. The District's internal service funds saw a decrease in net position of \$1,940,331, due mainly to the group health insurance fund. The group health insurance fund's net position was \$11,325,724 as of June 30, 2022. This represents approximately 23.90 percent of total expenses and will be used for cash flow purposes and as a reserve to cover possible future claims in excess of premiums.

General Fund Budgetary Highlights

Over the course of the year, the School Board revised the District's budget several times. These amendments are primarily for supplemental revenues received after the original budget was adopted and for increases in appropriations to prevent budget overruns. Significant differences between the original budget and the final amended budget are summarized as follows:

- Increase of approximately \$4,300,000 in other local sources and related expenditures primarily due to contributions from District agency accounts and outside organizations not in the original budget.
- Increase of approximately \$14,900,000 in federal revenues and related expenditures due to additional federal grants received after the original budget was adopted.

Capital Asset Administration

As of June 30, 2022, the District had invested \$398,644,118 in a broad range of capital assets, including land, land improvements, buildings, construction in progress, and various machinery and equipment (see Table 3). This amount represents a net increase (including additions, deductions, and depreciation) of \$5,413,189, or 1.38 percent over last year. This year's capital asset purchases were primarily construction and remodeling of buildings as part of the Capital Improvement Plan, and costs related to building a new high school and middle school. Additional information regarding the District's capital assets can be found in Note 4 to the financial statements.

Financial Analysis of the District's Funds (Continued)

Capital Asset Administration (Continued)

Table 3
Sioux Falls School District 49-5
Capital Assets, Net

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total Percentage Change
	2021 Restated	2022	2021	2022	2021-2022	2021-2022
Land	\$ 17,910,100	\$ 18,270,100	\$ -	\$ -	\$ 360,000	2.01%
Construction in Progress	112,109,288	15,246,724	-	-	(96,862,564)	-86.40%
Buildings and improvements	242,439,864	344,071,349	2,035,038	1,974,862	101,571,309	41.55%
Improvements other than buildings	9,021,384	8,488,666	1,557	1,214	(533,061)	-5.91%
Machinery and equipment	6,866,971	7,533,084	1,024,267	1,742,683	1,384,529	17.55%
Right-to-use buildings	555,259	500,192	-	-	(55,067)	-9.92%
Right-to-use machinery and equipment	1,267,201	815,244	-	-	(451,957)	-35.67%
Totals	\$390,170,067	\$394,925,359	\$ 3,060,862	\$ 3,718,759	\$ 5,413,189	1.38%

Long-Term Liabilities

At year-end, the District had \$330,368,236 in capital outlay certificates, general obligation bonds, and other long-term obligations. Long-term liabilities increased during the year by \$45,562,522 due mainly to issuance of long-term debt in excess of scheduled repayment of principal. This is an increase of 15.90 percent as shown in Table 4 below.

Table 4
Sioux Falls School District 49-5
Outstanding Debt and Obligations

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total Percentage Change
	2021 Restated	2022	2021	2022	2021-2022	2021-2022
Capital outlay certificates	\$ 98,594,731	\$ 87,994,142	\$ -	\$ -	\$ (10,600,589)	-10.75%
General obligation bonds	159,060,000	209,295,662	-	-	50,235,662	31.58%
Lease liabilities	1,822,460	1,344,452	-	-	(478,008)	-26.23%
Other postemployment benefits	23,429,457	29,016,894	633,959	1,602,473	6,555,951	27.24%
Early retirement plan obligation	551,377	-	-	-	(551,377)	-100.00%
Accrued vacation	2,354,511	2,717,086	162,554	200,862	400,883	15.93%
Totals	\$285,812,536	\$330,368,236	\$ 796,513	\$ 1,803,335	\$ 45,562,522	15.90%

The District's outstanding bonds and certificates carry ratings of Aaa when covered by bond insurance and ratings of Aa2 and Aa3 when not covered by bond insurance. The ratings were issued by Moody's Investors Services.

The District maintains an early retirement plan for teachers and administrators, which allows those meeting certain qualifications to retire early and receive a retirement incentive payment based on a flat amount plus sick days for teachers, and on a calculated average salary for administrators. This plan allows the District to reduce the overall program cost by hiring lower-paid employees to replace the higher-paid employees.

Additional information regarding the District's long-term liabilities can be found in Note 5 to the financial statements.

Financial Analysis of the District's Funds (Continued)

Economic Factors and Next Year's Budgets and Rates

For taxes payable in 2023, the District experienced an increase in total property valuation of approximately \$2.04 billion or 14.39 percent from the prior year. With the exception of the general fund and bond redemption fund, the increase in property valuation affects the District's ability to increase the revenue generated from property taxes.

For the general fund, the primary source of revenue to the District is based on a per-student state aid formula from the State of South Dakota. This per-student allocation is based on the current year's fall enrollment count and, by law, is supposed to increase each year by the lesser of the rate of inflation or 3 percent. The fall 2021 enrollment count was 23,981. The state aid formula for fiscal year 21-22 ensured that property taxes plus state aid equaled \$6,211 per pupil. The allocation for fiscal year 2022-23 is \$6,655 per pupil. Since the funding formula was implemented in 1997-98, the annual increases in the allocation have not always kept up with the increases in costs of education, primarily salary and benefit increases. During fiscal year 2002-03, the School Board passed a resolution to opt out of the State funding limitation in the amount of \$3.5 million in order to maintain District programs at the current level and allow for the day-to-day costs of a new elementary school. This opt-out resolution was passed in a public election and was originally scheduled to sunset at the end of calendar year 2007.

In preparation of the \$3.5 million reduction in annual revenues related to the end of the 2002-03 opt-out, the District convened a panel of 10 local experienced business leaders to study and evaluate the Sioux Falls School District's current liquid position, current and projected level of expenditures, and any efficiencies that could be obtained. Upon completion of their evaluation, the panel was asked to make recommendations to improve and strengthen the District's financial operations. The panel recommended that the District maintain a general fund balance at or near 8.5 percent of annual expenditures, reduce the opt-out amount to \$3.2 million, and extend it through calendar year 2012. During fiscal year 2005-06, the School Board passed a resolution to adopt the panel's recommendations. The lowered and extended opt-out was not referred to a public vote. For fiscal year 2007-08, the Board reduced the amount of the opt-out to \$2.7 million.

In response to a freeze in the formula during the 2010 legislative session, a second iteration of this panel recommended the School Board increase the opt-out to \$5 million and extend it through 2018. The Board adopted this recommendation but only accessed \$2.7 million for fiscal year 2011. In response to the 8.6 percent cut in the per-student allocation during the 2011 legislative session, the panel recommended, and the Board approved, a 10-year, \$7.5 million per year opt-out beginning in 2012, and an additional 10-year, \$5 million per year opt-out beginning in 2018.

In the spring of 2019, the business panel met again and suggested 10-year, \$1.5 million opt-outs that are passed every year and inflated slightly each year. The Board passed the 1st 10-year \$1.5 million opt-out for taxes payable in 2020. This gave the Board access to \$14 million in opt-out authority for 2020, of which the Board approved \$9.1 million. For taxes payable in 2023, the Board has access to \$11.6 million in opt-out authority, of which the Board approved \$11 million.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Sioux Falls School District's Finance Office, 201 East 38th Street, Sioux Falls, South Dakota 57105-5898.

Sioux Falls School District 49-5

Statement of Net Position

June 30, 2022

	Primary Government			Component Unit STI Housing Foundation
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 171,297,503	\$ 10,325,940	\$ 181,623,443	\$ 1,371,907
Cash - restricted	-	-	-	242,255
Taxes receivable	68,628,851	-	68,628,851	-
Other receivables	37,839,513	782,148	38,621,661	11,128
Interfund balances	801,967	(913,055)	(111,088)	-
Inventories	1,610,845	1,095,712	2,706,557	-
Prepaid expenses	980,521	3,466	983,987	1,127
Net pension asset	50,998,108	2,993,960	53,992,068	-
Capital assets				
Capital assets not being depreciated	33,516,824	-	33,516,824	-
Capital assets, net of accumulated depreciation	360,093,099	3,718,759	363,811,858	2,240,270
Right to use lease assets, net of accumulated amortization	1,315,436	-	1,315,436	-
	<u>727,082,667</u>	<u>18,006,930</u>	<u>745,089,597</u>	<u>3,866,687</u>
Deferred Outflows of Resources				
Deferred charge on refunding	23,884,001	-	23,884,001	-
OPEB related deferred outflows	7,549,364	416,917	7,966,281	-
Pension related deferred outflows	70,425,922	4,134,514	74,560,436	-
	<u>101,859,287</u>	<u>4,551,431</u>	<u>106,410,718</u>	<u>-</u>
	<u>\$ 828,941,954</u>	<u>\$ 22,558,361</u>	<u>\$ 851,500,315</u>	<u>\$ 3,866,687</u>
Liabilities				
Accounts payable	\$ 9,142,721	\$ 369,139	\$ 9,511,860	\$ 63,027
Other current liabilities	38,010,154	1,042,803	39,052,957	13,182
Unearned revenue	367,316	458,745	826,061	-
Noncurrent liabilities:				
Due within one year	16,834,318	200,862	17,035,180	169,714
Due in more than one year	284,517,024	-	284,517,024	2,536,414
Net OPEB liability	29,016,894	1,602,473	30,619,367	-
Total liabilities	<u>377,888,427</u>	<u>3,674,022</u>	<u>381,562,449</u>	<u>2,782,337</u>
Deferred Inflows of Resources				
OPEB related deferred inflows	2,225,570	122,908	2,348,478	-
Pension related deferred inflows	98,571,762	5,786,880	104,358,642	-
Taxes levied for future period	70,293,919	-	70,293,919	-
	<u>171,091,251</u>	<u>5,909,788</u>	<u>177,001,039</u>	<u>-</u>
Net Position				
Net investment in capital assets	175,173,968	3,718,759	178,892,727	(465,858)
Restricted for:				
Capital outlay	39,526,224	-	39,526,224	-
Special education	9,705,897	-	9,705,897	-
SDRS pension purposes	22,852,268	1,341,594	24,193,862	-
Post secondary vocational	3,848,199	-	3,848,199	-
Debt service	8,087,508	-	8,087,508	-
Unrestricted	20,768,212	7,914,198	28,682,410	1,550,208
Total net position	<u>279,962,276</u>	<u>12,974,551</u>	<u>292,936,827</u>	<u>1,084,350</u>
	<u>\$ 828,941,954</u>	<u>\$ 22,558,361</u>	<u>\$ 851,500,315</u>	<u>\$ 3,866,687</u>

Sioux Falls School District 49-5

Statement of Activities

Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit STI Housing Foundation
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental activities:								
Instruction	\$ 172,979,841	\$ 13,981,650	\$ 57,552,048	\$ 9,567,076	\$ (91,879,067)	\$ -	\$ (91,879,067)	\$ -
Support services	111,394,347	902,462	-	-	(110,491,885)	-	(110,491,885)	-
Community services	241,255	-	-	-	(241,255)	-	(241,255)	-
Nonprogrammed charges	4,182,735	1,096,868	2,350,272	2,113,287	1,377,692	-	1,377,692	-
Co-curricular activities	7,652,591	702,846	-	-	(6,949,745)	-	(6,949,745)	-
*Interest on long-term debt	8,631,879	-	-	-	(8,631,879)	-	(8,631,879)	-
Total governmental activities	305,082,648	16,683,826	59,902,320	11,680,363	(216,816,139)	-	(216,816,139)	-
Business-type activities:								
Food services	15,900,345	1,205,093	17,068,551	-	-	2,373,299	2,373,299	-
Post secondary bookstore	1,630,367	1,571,845	-	-	-	(58,522)	(58,522)	-
Post secondary childcare	317,260	243,561	116,823	-	-	43,124	43,124	-
Community services	6,686,817	6,101,952	1,282,469	-	-	697,604	697,604	-
House construction	160,276	190,000	-	-	-	29,724	29,724	-
Total business-type activities	24,695,065	9,312,451	18,467,843	-	-	3,085,229	3,085,229	-
Total primary government	\$ 329,777,713	\$ 25,996,277	\$ 78,370,163	\$ 11,680,363	(216,816,139)	3,085,229	(213,730,910)	-
Component Unit	\$ 852,516	\$ 1,056,050	\$ -					203,534
General Revenues								
Taxes:								
Property taxes					140,255,563	-	140,255,563	-
Gross receipts tax					1,139,769	-	1,139,769	-
Revenue from state sources:								
State aid					95,908,784	-	95,908,784	-
Other					889,774	-	889,774	-
Revenue from federal sources					372,536	-	372,536	-
Unrestricted investment earnings					572,766	2,857	575,623	1,394
Other general revenues					10,321,326	-	10,321,326	-
Transfers					(276,000)	276,000	-	-
Total general revenues					249,184,518	278,857	249,463,375	1,394
Change in Net Position					32,368,379	3,364,086	35,732,465	204,928
Net Position - Beginning					247,593,897	9,610,465	257,204,362	879,422
Net Position - Ending					\$ 279,962,276	\$ 12,974,551	\$ 292,936,827	\$ 1,084,350

* 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.

Sioux Falls School District 49-5
Balance Sheet – Governmental Funds
June 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Post Secondary Vocational Fund	Capital Improvement Plan	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 35,463,711	\$ 38,402,757	\$ 14,584,454	\$ 6,439,087	\$ 45,986,684	\$ 17,281,297	\$ 158,157,990
Taxes receivable - current	35,110,943	15,105,283	11,100,596	-	-	4,686,478	66,003,300
Taxes receivable - delinquent	1,482,319	639,632	401,813	-	-	101,787	2,625,551
Accounts receivable, net	125,540	-	-	384,763	-	-	510,303
Due from other funds	-	907,238	-	-	-	-	907,238
Due from other governments	23,037,144	7,962,496	1,667,210	2,521,536	-	-	35,188,386
Advance to imprest	271,000	-	600	-	-	-	271,600
Inventories	1,208,921	-	-	401,924	-	-	1,610,845
Prepaid expenses	899,983	-	-	80,538	-	-	980,521
	<u>\$ 97,599,561</u>	<u>\$ 63,017,406</u>	<u>\$ 27,754,673</u>	<u>\$ 9,827,848</u>	<u>\$ 45,986,684</u>	<u>\$ 22,069,562</u>	<u>\$ 266,255,734</u>
Liabilities							
Accounts payable	\$ 1,755,586	\$ 1,210,780	\$ 436,492	\$ 2,981,540	\$ 2,693,585	\$ 32,050	\$ 9,110,033
Contracts and benefits payable	24,542,820	-	5,570,605	534,757	-	-	30,648,182
Due to other funds	78,673	-	19,578	7,020	-	-	105,271
Amounts held for others	-	-	-	1,586,405	-	-	1,586,405
Unearned revenue	-	-	-	367,316	-	-	367,316
Total liabilities	<u>26,377,079</u>	<u>1,210,780</u>	<u>6,026,675</u>	<u>5,477,038</u>	<u>2,693,585</u>	<u>32,050</u>	<u>41,817,207</u>
Deferred Inflows of Resources							
Unavailable revenue - delinquent property taxes	1,482,319	639,632	401,813	-	-	101,787	2,625,551
Unavailable revenue - intergovernmental	147,000	-	29,500	-	-	-	176,500
Taxes levied for future period	37,313,386	16,122,320	11,851,341	-	-	5,006,872	70,293,919
Total deferred inflows of resources	<u>38,942,705</u>	<u>16,761,952</u>	<u>12,282,654</u>	<u>-</u>	<u>-</u>	<u>5,108,659</u>	<u>73,095,970</u>
Fund Balances							
Nonspendable for:							
Inventory and prepaid expenses	2,108,904	-	-	482,462	-	-	2,591,366
Restricted for:							
Capital outlay	-	38,886,592	-	-	-	-	38,886,592
Special education	-	-	9,445,344	-	-	-	9,445,344
Post secondary vocational	-	-	-	3,868,348	-	-	3,868,348
Capital projects	-	-	-	-	43,293,099	11,705,765	54,998,864
Debt service	-	6,158,082	-	-	-	4,797,797	10,955,879
Committed for:							
Superintendent deferred compensation	35,237	-	-	-	-	-	35,237
Assigned for:							
Hail damage projects	-	-	-	-	-	425,291	425,291
Next year's budget	3,996,633	-	-	-	-	-	3,996,633
Unassigned	26,139,003	-	-	-	-	-	26,139,003
Total fund balances	<u>32,279,777</u>	<u>45,044,674</u>	<u>9,445,344</u>	<u>4,350,810</u>	<u>43,293,099</u>	<u>16,928,853</u>	<u>151,342,557</u>
	<u>\$ 97,599,561</u>	<u>\$ 63,017,406</u>	<u>\$ 27,754,673</u>	<u>\$ 9,827,848</u>	<u>\$ 45,986,684</u>	<u>\$ 22,069,562</u>	<u>\$ 266,255,734</u>

Sioux Falls School District 49-5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Year Ended June 30, 2022

Total Fund Balances - Governmental Funds	\$ 151,342,557
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. The cost of the assets is \$617,130,075 and the accumulated depreciation/amortization is \$223,020,772.	394,109,303
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(295,939,056)
Unamortized balance of premiums and discounts on long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(4,589,804)
The unamortized balance of deferred charges on debt refundings resulting from the difference between the net carrying value of the refunded debt and its reacquisition price is not reported in the funds; however, it is treated as a deferred outflow of resources in the statement of net position.	23,884,001
Assets such as delinquent taxes receivable and other intergovernmental receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,802,051
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	12,164,214
Interest expense payable is not included as a liability in the fund statements. Interest expense payable is included as a liability in the statement of net position.	(2,970,158)
OPEB obligations and related deferred outflows of resources and deferred inflows of resources do not represent available financial resources and, therefore, are not reported in the funds.	(23,693,100)
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.	22,852,268
Net Position - Governmental Activities	<u>\$ 279,962,276</u>

Sioux Falls School District 49-5
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Post Secondary Vocational Fund	Capital Improvement Plan	Other Governmental Funds	Total Governmental Funds
Revenues							
Revenue from local sources							
Taxes:							
Ad valorem taxes	\$ 73,567,193	\$ 32,097,517	\$ 23,043,140	\$ -	\$ -	\$ 8,923,552	\$ 137,631,402
Prior year's ad valorem taxes	661,998	277,967	183,058	-	-	54,587	1,177,610
Tax deed revenue	93,697	-	-	-	-	-	93,697
Gross receipts taxes	1,139,769	-	-	-	-	-	1,139,769
Other taxes	273,856	119,443	85,655	-	-	33,221	512,175
Penalties and interest on taxes	149,811	50,809	32,002	-	-	8,639	241,261
Tuition and fees	441,043	42,035	133,940	232,707	-	-	849,725
Post secondary program tuition and fees	-	-	-	13,237,775	-	-	13,237,775
Earnings on investments and deposits	358,102	133,732	32,854	30,950	81	17,047	572,766
Co-curricular activities:							
Admissions	265,325	-	-	-	-	-	265,325
Bookstore sales	11,226	-	-	651,335	-	-	662,561
Other student activity income	437,521	-	-	-	-	-	437,521
Post secondary:							
Resales/services - occupational programs	-	-	-	82,654	-	-	82,654
Other revenue from local sources:							
Rentals	68,723	11,000	-	21,550	-	-	101,273
Contributions and donations	369,163	89,501	1,184	372,221	-	-	832,069
Judgments	3,038	985	-	-	-	-	4,023
Charges for services	628,238	-	464,607	-	-	-	1,092,845
Other	5,937,151	1,025,717	1,369	396,550	20,000	513,160	7,893,947
Revenue from intermediate sources							
County sources:							
County apportionment	835,861	-	-	-	-	-	835,861
Revenue from state sources							
Grants-in-aid:							
Unrestricted grants-in-aid	88,487,459	-	-	7,421,325	-	-	95,908,784
Restricted grants-in-aid	259,811	-	18,866,568	-	-	-	19,126,379
Tuition	48,106	-	3,291	-	-	-	51,397
Other state revenue	9,259	-	3,295	877,220	-	-	889,774

Sioux Falls School District 49-5
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Post Secondary Vocational Fund	Capital Improvement Plan	Other Governmental Funds	Total Governmental Funds
Revenue from federal sources							
Grants-in-aid:							
Restricted grants-in-aid received directly from federal government	5,275,249	18,901	-	4,631,724	-	-	9,925,874
Restricted grants-in-aid received from federal government through the state	26,613,927	8,307,757	6,739,006	1,037,905	-	-	42,698,595
Johnson O'Malley funds	12,785	-	-	-	-	-	12,785
Other federal revenue	23,742	292,290	-	43,719	-	-	359,751
Total revenues	205,972,053	42,467,654	49,589,969	29,037,635	20,081	9,550,206	336,637,598
Expenditures							
Instruction							
Regular programs:							
Elementary schools	46,075,415	3,253,511	-	-	-	-	49,328,926
Middle/junior high schools	26,089,713	2,081,039	-	-	-	-	28,170,752
High school	31,136,263	2,237,684	-	-	-	-	33,373,947
Preschool services	665,332	755	-	-	-	-	666,087
Special programs:							
Gifted and talented	882,127	-	-	-	-	-	882,127
Programs for special education	-	600	31,678,348	-	-	-	31,678,948
Coordinated early intervening services instruction	-	-	519	-	-	-	519
Culturally different	5,790,645	-	-	-	-	-	5,790,645
Educationally deprived	4,451,470	-	-	-	-	-	4,451,470
Other special programs	4,918,779	46,542	-	-	-	-	4,965,321
Adult continuing education programs	-	-	-	364,912	-	-	364,912
Post secondary occupational programs	-	-	-	11,503,443	-	-	11,503,443
Support services							
Pupils:							
Attendance and social work	1,148,938	-	-	-	-	-	1,148,938
Guidance	6,402,957	4,064	-	1,020,219	-	-	7,427,240
Health	1,437,674	42,262	8,788	-	-	-	1,488,724
Psychological	125,209	-	4,802	-	-	-	130,011
Speech pathology	-	-	3,257,586	-	-	-	3,257,586
Student therapy services	-	-	2,342,043	-	-	-	2,342,043
Orientation and mobility services	1,377	-	137,727	-	-	-	139,104
Support services - instructional staff:							
Improvement of instruction	7,671,776	-	-	1,304,727	-	-	8,976,503
Educational media	4,203,849	99,752	-	-	-	-	4,303,601

Sioux Falls School District 49-5

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

Year Ended June 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Post Secondary Vocational Fund	Capital Improvement Plan	Other Governmental Funds	Total Governmental Funds
Support services - general administration:							
Board of Education	1,264,875	-	-	298,101	-	-	1,562,976
Executive administration	1,073,573	-	-	94,760	-	-	1,168,333
Support services - school administration:							
Office of the Principal	14,579,727	47,930	-	-	-	-	14,627,657
Financial aid administration	-	-	-	353,822	-	-	353,822
Title I program administration	26,145	-	-	-	-	-	26,145
Other support services	1,983,605	7,797	-	3,542,938	-	-	5,534,340
Support services - business:							
Fiscal services	1,790,938	363,814	-	1,046,734	-	-	3,201,486
Facilities acquisition and construction	-	6,903,273	-	781,503	-	-	7,684,776
Operation and maintenance of plant	21,025,007	281,614	-	1,899,353	-	-	23,205,974
Pupil transportation	6,097,066	41,684	-	-	-	-	6,138,750
Food services	869,831	-	-	-	-	-	869,831
Support services - central:							
Planning	809,963	10,754	-	-	-	-	820,717
Staff	1,512,316	-	-	3,098	-	-	1,515,414
Data processing	3,837,331	1,370,013	-	3,855,664	-	-	9,063,008
Support services - special education:							
Administrative costs	-	-	3,139,432	-	-	-	3,139,432
Transportation costs	-	-	2,938,311	-	-	-	2,938,311
Other special education costs	-	-	3,414,262	-	-	-	3,414,262
Community services							
Nonpublic school	180,083	30,736	-	-	-	-	210,819
Other	25,958	-	-	-	-	-	25,958
Nonprogrammed charges							
Student financial aid	-	-	-	2,518,438	-	-	2,518,438
Payments to state - unemployment	(9,399)	-	-	-	-	-	(9,399)
Early retirement payments	1,054,234	-	164,608	28,558	-	-	1,247,400
Other nonprogrammed costs	-	977,673	-	-	-	-	977,673
Debt services	-	12,748,178	59,802	71,162	-	4,085,251	16,964,393
Co-curricular activities							
Male activities	1,824,544	197,294	-	-	-	-	2,021,838
Female activities	1,379,294	75,308	-	-	-	-	1,454,602
Combined activities	3,203,589	285,058	-	15,530	-	-	3,504,177
Capital outlay	-	-	-	-	11,369,677	3,214,788	14,584,465
Total expenditures	203,530,204	31,107,335	47,146,228	28,702,962	11,369,677	7,300,039	329,156,445

See Notes to Financial Statements

Sioux Falls School District 49-5
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Post Secondary Vocational Fund	Capital Improvement Plan	Other Governmental Funds	Total Governmental Funds
Excess of Revenue over (under) Expenditures	2,441,849	11,360,319	2,443,741	334,673	(11,349,596)	2,250,167	7,481,153
Other Financing Sources (Uses)							
Transfers out	-	-	-	(276,000)	-	-	(276,000)
Sale of surplus property	5,000	13,723	-	20	-	-	18,743
Proceeds from long-term debt	-	-	-	-	51,052,041	247,959	51,300,000
Premiums on debt issued	-	-	-	-	952,053	4,624	956,677
Total other financing sources (uses)	5,000	13,723	-	(275,980)	52,004,094	252,583	51,999,420
Net Change in Fund Balances	2,446,849	11,374,042	2,443,741	58,693	40,654,498	2,502,750	59,480,573
Fund Balance - Beginning	29,832,928	33,670,632	7,001,603	4,292,117	2,638,601	14,426,103	91,861,984
Fund Balance - Ending	<u>\$ 32,279,777</u>	<u>\$ 45,044,674</u>	<u>\$ 9,445,344</u>	<u>\$ 4,350,810</u>	<u>\$ 43,293,099</u>	<u>\$ 16,928,853</u>	<u>\$ 151,342,557</u>

Sioux Falls School District 49-5

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds		\$ 59,480,573
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 (\$20,341,534) exceeded depreciation (\$15,575,040) in the current period.		5,177,299
In the statement of activities, gains and losses on disposal of capital assets are reported; whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.		(11,052)
Payment of principal on long-term debt is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.		11,383,471
CO certificates	\$ 9,270,000	
GO bonds	2,000,000	
Lease liabilities	113,471	
The issuance of long-term debt is an other financing source in the fund statements, but an increase in long-term liabilities on the government- wide statements.		(51,300,000)
GO bonds	\$ 51,300,000	
In the statement of activities, certain operating expenses (early retirement and accrued vacation) are measured by the amounts earned during the year. In the governmental funds, the expenditures are measured by the amount actually paid. Early retirement and accrued vacation paid during the period exceeded the amount earned.		192,428
Governmental funds do not report a deferred outflow in connection with a debt refunding transaction; therefore, an adjustment is necessary to recognize the amortization of these charges in the government-wide financial statements.		(3,118,963)
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statement 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."		599,418
Revenues in the statement of activities that are not "available" and do not provide current financial resources are not reported as revenues in the funds.		(168,165)

Sioux Falls School District 49-5

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities Year Ended June 30, 2022

Interest expense payable is not included as an expenditure in the fund statements. Interest expense payable is included as an expenditure in the statement of activities.	(1,251,374)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service is reported with governmental activities.	(1,940,331)
The accrual of OPEB costs are not reflected in governmental funds, but the statement of activities reflects the change in this liability and related deferred outflows and inflows of resources from one year to the next.	(1,046,979)
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 by which current-year amortization exceeded the amount of premiums issued in the current period.	394,927
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>13,977,127</u>
Change in Net Position of Governmental Activities	<u><u>\$ 32,368,379</u></u>

Sioux Falls School District 49-5
Statement of Net Position – Proprietary Funds
June 30, 2022

	Food Service	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Assets				
Current assets				
Cash and cash equivalents	\$ 7,811,079	\$ 2,514,861	\$ 10,325,940	\$ 13,139,513
Accounts receivable	67,391	226,118	293,509	1,869,224
Due from other governments	97,219	376,420	473,639	-
Inventory of supplies	86,310	790,899	877,209	-
Inventory of stores purchased for resale	173,873	-	173,873	-
Inventory of donated food	44,630	-	44,630	-
Prepaid expenses	-	3,466	3,466	-
Total current assets	8,280,502	3,911,764	12,192,266	15,008,737
Noncurrent assets				
Advance to imprest	-	15,000	15,000	-
Net pension asset	1,641,699	1,352,261	2,993,960	-
Capital assets				
Buildings	5,942,774	23,720	5,966,494	-
Improvements other than buildings	-	6,866	6,866	-
Machinery and equipment	5,835,906	661,605	6,497,511	182,492
Accumulated depreciation	(8,259,116)	(492,996)	(8,752,112)	(165,513)
Right-of-use lease assets	-	-	-	1,182,634
Accumulated amortization	-	-	-	(383,557)
Total noncurrent assets	5,161,263	1,566,456	6,727,719	816,056
Deferred outflows of resources				
Pension related deferred outflows	2,267,107	1,867,407	4,134,514	-
OPEB related deferred outflows	237,177	179,740	416,917	-
Total deferred outflows of resources	2,504,284	2,047,147	4,551,431	-
	\$ 15,946,049	\$ 7,525,367	\$ 23,471,416	\$ 15,824,793
Liabilities and Net Position				
Current liabilities				
Accounts payable	\$ 154,632	\$ 214,507	\$ 369,139	\$ 32,688
Contracts and benefits payable	321,521	698,061	1,019,582	5,409
Sales tax payable	-	12,919	12,919	-
Incurred but not reported claims	-	-	-	2,800,000
Due to other funds	910,721	2,334	913,055	-
Accrued vacation payable	103,565	97,297	200,862	4,385
Deposits payable	-	10,302	10,302	-
Unearned revenue	458,745	-	458,745	-
Total current liabilities	1,949,184	1,035,420	2,984,604	2,842,482
Noncurrent liabilities				
Net OPEB obligation	911,620	690,853	1,602,473	-
Lease liabilities	-	-	-	818,097
Total noncurrent liabilities	911,620	690,853	1,602,473	818,097
Deferred inflows of resources				
Pension related deferred inflows	3,173,161	2,613,719	5,786,880	-
OPEB related deferred inflows	69,920	52,988	122,908	-
Total deferred inflows of resources	3,243,081	2,666,707	5,909,788	-
Net Position				
Net investment in capital assets	3,519,564	199,195	3,718,759	(2,041)
Restricted for pension benefits	735,645	605,949	1,341,594	-
Unrestricted net position	5,586,955	2,327,243	7,914,198	12,166,255
Total net position	9,842,164	3,132,387	12,974,551	12,164,214
	\$ 15,946,049	\$ 7,525,367	\$ 23,471,416	\$ 15,824,793

See Notes to Financial Statements

Sioux Falls School District 49-5

Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds

Year Ended June 30, 2022

	Food Service	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Operating Revenues				
Sales				
Tuition	\$ -	\$ 4,276,338	\$ 4,276,338	\$ -
To pupils	845,910	187,141	1,033,051	-
To adults	90,055	44,291	134,346	-
Bookstore sales	-	1,542,485	1,542,485	-
Self-insurance premiums	-	-	-	43,540,661
Daycare charges for services	-	240,114	240,114	-
Other local revenue	22,306	2,063,811	2,086,117	650,634
Total operating revenues	<u>958,271</u>	<u>8,354,180</u>	<u>9,312,451</u>	<u>44,191,295</u>
Operating Expenses				
Salaries	5,377,352	5,427,271	10,804,623	152,448
Employee benefits	1,805,080	1,379,554	3,184,634	35,347
Purchased services	458,381	390,659	849,040	3,932,692
Supplies	663,498	1,726,059	2,389,557	87,769
Cost of sales - purchased	5,555,289	102,517	5,657,806	-
Cost of sales - donated	1,178,712	-	1,178,712	-
Other	85,510	134,405	219,915	41,516,889
Depreciation	357,212	40,728	397,940	27,248
Amortization	-	-	-	383,557
Total operating expenses	<u>15,481,034</u>	<u>9,201,193</u>	<u>24,682,227</u>	<u>46,135,950</u>
Operating Income (Loss)	<u>(14,522,763)</u>	<u>(847,013)</u>	<u>(15,369,776)</u>	<u>(1,944,655)</u>
Nonoperating Revenue				
Local sources:				
Investment earnings	2,857	-	2,857	36,698
State sources:				
Cash reimbursements	33,577	-	33,577	-
Federal sources:				
Federal grants	-	1,399,292	1,399,292	-
Cash reimbursements	15,875,263	-	15,875,263	-
Donated food	1,159,711	-	1,159,711	-
Total nonoperating revenue	<u>17,071,408</u>	<u>1,399,292</u>	<u>18,470,700</u>	<u>36,698</u>
Nonoperating Expense				
Interest expense	-	-	-	(32,224)
Loss on disposal of capital assets	(12,838)	-	(12,838)	(150)
Total nonoperating revenue (expense)	<u>17,058,570</u>	<u>1,399,292</u>	<u>18,457,862</u>	<u>4,324</u>
Income (Loss) Before Transfers	2,535,807	552,279	3,088,086	(1,940,331)
Transfers in	-	276,000	276,000	-
Change in Net Position	2,535,807	828,279	3,364,086	(1,940,331)
Net Position - Beginning	7,306,357	2,304,108	9,610,465	14,104,545
Net Position - Ending	<u>\$ 9,842,164</u>	<u>\$ 3,132,387</u>	<u>\$ 12,974,551</u>	<u>\$ 12,164,214</u>

Sioux Falls School District 49-5
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2022

	Food Service	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Cash Flows from (used for) Operating Activities				
Cash receipts from customers	\$ 717,515	\$ 6,247,937	\$ 6,965,452	\$ -
Cash receipts from interfund services provided	-	-	-	42,707,879
Other operating cash receipts	22,306	1,880,461	1,902,767	650,754
Payments to employees	(7,216,633)	(6,824,589)	(14,041,222)	(181,411)
Payments to suppliers	(5,883,654)	(2,364,658)	(8,248,312)	(4,023,717)
Payments for claims	-	-	-	(41,968,211)
Net Cash used for Operating Activities	<u>(12,360,466)</u>	<u>(1,060,849)</u>	<u>(13,421,315)</u>	<u>(2,814,706)</u>
Cash Flows from Noncapital Financing Activities				
Transfers in from other funds	-	276,000	276,000	-
Operating subsidies and grants	16,529,447	1,028,402	17,557,849	-
Net Cash from Noncapital Financing Activities	<u>16,529,447</u>	<u>1,304,402</u>	<u>17,833,849</u>	<u>-</u>
Cash Flows from (used for) Capital and Related Financing Activities				
Cash paid for lease liabilities - principal	-	-	-	(364,537)
Cash paid for lease liabilities - interest	-	-	-	(32,224)
Proceeds from disposal of capital assets	1,874	-	1,874	-
Purchase of capital assets	(1,033,083)	(37,466)	(1,070,549)	-
Net Cash used for Capital and Related Financing Activities	<u>(1,031,209)</u>	<u>(37,466)</u>	<u>(1,068,675)</u>	<u>(396,761)</u>
Cash Flows from Investing Activities				
Cash received for interest	2,857	-	2,857	36,698
Net Cash from Investing Activities	<u>2,857</u>	<u>-</u>	<u>2,857</u>	<u>36,698</u>
Net Change in Cash and Cash Equivalents	3,140,629	206,087	3,346,716	(3,174,769)
Cash and Cash Equivalents, Beginning of Year	<u>4,670,450</u>	<u>2,308,774</u>	<u>6,979,224</u>	<u>16,314,282</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,811,079</u>	<u>\$ 2,514,861</u>	<u>\$ 10,325,940</u>	<u>\$ 13,139,513</u>
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities				
Operating income (loss)	\$ (14,522,763)	\$ (847,013)	\$ (15,369,776)	\$ (1,944,655)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:				
Depreciation and amortization expense	357,212	40,728	397,940	410,805
Value of donated commodities used	1,178,712	-	1,178,712	-
Change in assets and liabilities:				
Receivables	(67,372)	(226,924)	(294,296)	(832,662)
Inventories	(41,526)	(73,368)	(114,894)	-
Prepaid expenses	-	(2,216)	(2,216)	-
Pension asset and deferred outflows	(2,611,105)	(2,024,206)	(4,635,311)	-
OPEB deferred outflows	(167,037)	(119,776)	(286,813)	-
Accounts and other payables	9,829	150,682	160,511	(454,578)
Contracts payable	(50,556)	(44,789)	(95,345)	1,999
Due to other funds	910,721	(86,116)	824,605	-
Accrued vacation payable	103,565	97,297	200,862	4,385
Deposits payable	-	10,302	10,302	-
Unearned revenue	(151,078)	(9,160)	(160,238)	-
Pension liability and deferred inflows	2,088,859	1,671,970	3,760,829	-
OPEB liability and deferred inflows	602,073	401,740	1,003,813	-
Net Cash used for Operating Activities	<u>\$ (12,360,466)</u>	<u>\$ (1,060,849)</u>	<u>\$ (13,421,315)</u>	<u>\$ (2,814,706)</u>
Noncash Investing, Capital and Financing Activities				
Value of commodities received	\$ 1,159,711	\$ -	\$ 1,159,711	\$ -
Loss on disposal of capital assets	12,838	-	12,838	150

Sioux Falls School District 49-5
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2022

	Custodial Funds
Assets	
Cash and cash equivalents	\$ 454,772
Due from other funds	<u>111,088</u>
Total assets	<u>\$ 565,860</u>
Liabilities	
Due to local governments	<u>\$ 89,642</u>
Total liabilities	<u>\$ 89,642</u>
Net Position	
Restricted for individuals and organizations	<u>\$ 476,218</u>

Sioux Falls School District 49-5
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
Year Ended June 30, 2022

	Custodial Funds
Additions	
Fees collected for other governments	\$ 1,923,349
Employee contributions	1,382,990
Other	13,041
	<u>3,319,380</u>
Total additions	<u>3,319,380</u>
Deductions	
Payment of fees to other governments	1,923,349
Payments to employees	1,405,236
Other	10,434
	<u>3,339,019</u>
Total deductions	<u>3,339,019</u>
Change in net position	(19,639)
Net position - beginning	<u>495,857</u>
Net position - ending	<u><u>\$ 476,218</u></u>

Note 1 - Summary of Significant Accounting Policies

The Sioux Falls School District 49-5's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for school districts through its pronouncements. The more significant accounting policies established in GAAP and used by the School District are discussed below.

Reporting Entity

The reporting entity of the Sioux Falls School District 49-5 (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); its discretely presented component unit; and those organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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 discretely presented component unit is the Southeast Technical Institute Housing Foundation (STI Housing Foundation or "the Foundation"). The Foundation is legally separate and tax exempt 501(c)(3) nonprofit organization whose sole purpose is to develop, own, manage, and operate student housing exclusively for the benefit of Southeast Technical College. Because the economic resources held by the Foundation are held entirely for the benefit of the primary government, the primary government is entitled to a majority of the economic resources held by the Foundation, and the economic resources held by the Foundation are deemed significant to the primary government, the Foundation is, therefore, included in the financial statements as a discretely presented component unit. The Foundation has a fiscal year-end of December 31 and has separately issued financial statements as of the Foundation's respective year-end, thus the amounts reported herein for the discretely presented component unit are as of and for the year ended December 31, 2021.

Basis of Presentation and Basis of Accounting

Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities and component units. Eliminations to the various funds have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities and the discretely presented component unit of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Discretely presented component units are legally separate organizations that meet certain criteria, as described above, and may be classified as either governmental or business-type activities. See the discussion of individual component units above.

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 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 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, 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, 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 services.

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

Governmental Funds

General Fund: The General Fund is established by South Dakota Codified Law (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.

Special Revenue Funds: Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds maintained by the School District are as follows:

- **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.
- **Post-Secondary Vocational Fund** – A fund established by SDCL 13-39-39.1 to account for funds incidental to the operation of Southeast Technical College, a school providing post-secondary vocational education programs. This fund is financed by tuition and fees and grants. This is a major fund.

Debt Service Funds: The Bond Redemption Fund is established by SDCL 13-16-13 to account for a special property tax and report the accumulation of resources from that tax restricted to use for the payment of general long-term debt principal, interest and related costs. The Bond Redemption Fund is the only debt service fund maintained by the School District. This is not a major fund.

Capital Projects Funds: Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The New Elementary Fund, Capital Improvement Plan Fund, Hail Damage Fund, New High School Fund, and New Middle School Fund are the capital project funds maintained by the School District. The Capital Improvement Plan Fund was a major fund in 2022, however, the others were not major funds.

Proprietary Funds

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

- The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity.
- Laws or regulations require that the activity's costs of providing services, including capital costs, be recovered with fees and charges, rather than with taxes or similar revenues.
- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

The enterprise funds maintained by the School District are as follows:

- Food Service Fund – A fund used to record financial transactions related to K-12 food service operations. This fund is financed by user charges and grants. This is a major fund.
- Post Secondary Bookstore Fund – A fund used to record financial transactions related to operations of the Southeast Technical College bookstore. This fund is financed by user charges. This is not a major fund.
- Post Secondary Food Service Fund – A fund used to record financial transactions related to Southeast Technical College food service operations. This fund is financed by user charges. This is not a major fund.
- Post Secondary Child Care Fund – A fund used to record financial transactions related to operations of Southeast Technical College's child daycare facility. This fund is financed by user charges and grants. This is not a major fund.
- Community Relations Fund – A fund used to record financial transactions related to operations of blended pre-school programs, summer school, daycare services and after-school daycare services, and for GED and other courses. This fund is financed by user charges and grants. This is not a major fund.
- House Construction Fund – A fund used to record financial transactions related to the construction and sale of one home annually by a high school within the School District that is being constructed in partnership with Habitat for Humanity. This fund is financed by sale of the constructed home. This is not a major fund.

Internal Service Funds: A fund used to report activities that provide goods or services to other funds, departments or agencies of the School District and its component unit, or to other governments, on a cost-reimbursement basis. Internal service funds are never considered to be major funds. The Insurance Trust Fund and Reprographics Fund are the only internal service funds maintained by the School District.

Fiduciary Funds: Fiduciary funds maintained by the School District consist solely of custodial funds and are never considered to be major 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 District maintains custodial funds to account for resources held by the School District as an agent for employee dependent care and health care flexible spending accounts, to account for facility fees collected by Southeast Technical College from its students to a trustee for the benefit of the South Dakota Health and Education Facilities Authority, and to account for resources held as an agent for various other Southeast Technical College relationships.

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 funds.

Basis of Accounting

Government-Wide Financial Statements

In the government-wide statement of net position and statement of activities, governmental, business-type and component unit 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 fund types 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 for the School District is 60 days for property tax receipts and 90 days for other charges for services. Revenues from reimbursement grants and other similar reimbursement items are recognized when all eligibility requirements imposed by the provider have been met. State revenues are recognized in the year to which the revenue relates or applies.

Under the modified accrual basis of accounting, receivables may be measurable but not available. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Unavailable revenues, where asset recognition criteria have been met, but for which revenue recognition criteria have not been met, are reported as a deferred inflow of resources.

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 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.

Interfund Eliminations and Reclassifications

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as internal balances.
2. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses" are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged in this manner, expense reductions occur in the respective funds so that expenses are reported only in the function to which they relate.

Deposits and Investments

For the purpose of financial reporting, "cash and cash equivalents" for the School District includes all demand and savings accounts or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-ended mutual fund shares, or similar investments in external investment pools, are also considered to be cash and cash equivalents. The School District did not hold any investments at June 30, 2022.

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. Approximately 50% is considered to be applied to finance the budget of the current fiscal year and the remaining percentage (50%) is considered to be applied to finance the budget for the subsequent 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. Current year property taxes receivable, which is not available as a resource that can be used to finance the current year's appropriations and, therefore, are not susceptible to accrual, have been reported as deferred inflows of resources in both fund financial statements and the government-wide financial statements.

Inventory

Inventory is stated at cost on the first-in, first-out (FIFO) basis. When individual inventory items are purchased they are recorded as assets. When they are consumed they are recorded as expenditures in governmental funds or expenses in proprietary funds. Although classified as current assets, these inventory balances are offset by nonspendable fund balance amounts which indicate that they do not constitute "available spendable resources" even though they are a component of net current assets. Inventories purchased by the Food Service Fund and Post Secondary Food Service Fund are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at USDA's assigned values, which approximate fair value at the date of receipt. Expenses for food items are recorded when consumed.

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. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized. Interest costs incurred during construction of capital assets are not capitalized along with other capital asset costs.

Right-to-use leased assets are recognized at the lease commencement date and represent the School District's right to use an underlying asset for the lease term. Right-to-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the leased asset into service. Right-to-use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight line method. The amortization period varies from 3 to 10 years.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the 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*	Any Amount	*	*
Buildings and improvements	\$ 20,000	Straight-Line	20-50 years
Improvements other than buildings	20,000	Straight-Line	10-20 years
Machinery and equipment - governmental activities	5,000	Straight-Line	5-15 years
Machinery and equipment - business-type	1,000	Straight-Line	5-15 years

**Land, an inexhaustible capital asset, 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.

Long-Term Liabilities

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of general obligation bonds, capital outlay certificates payable, lease liabilities, and vacation payable.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenues and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is on the accrual basis, the same in the fund statement as it is in the government-wide statements.

Cash and Cash Equivalents

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

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.

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, noncapital financing activities, or investing activities, are not reported as components of operating revenues or expenses.

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 is distinguished between nonspendable, restricted, committed, assigned, or unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund activity is reported as restricted net position.

Fund Balance Classification Policies and Procedures

The School District classifies governmental fund balance 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 restraints.
- 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, which is the School Board, and does not lapse at year-end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor 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 nonspendable fund balance in the General Fund and the Post Secondary Vocational Fund is comprised of inventory and prepaid expenses which are in a nonspendable form.

The School Board has taken action committing fund balance in the amount of \$35,237 as of June 30, 2022, related to the School District superintendent's deferred compensation plan.

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

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

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund	Property taxes
Special Education Fund	Grants and property taxes
Post Secondary Vocational Fund	Tuition and fees and grants

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.

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's fiduciary net position have been determined on the same basis as they are reported by SDRS. School District contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

Deferred Outflows and Deferred Inflows 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 four 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, changes in the net pension liability (asset) not included in pension expense reported in the government-wide statement of net position, changes in the total OPEB liability included in health insurance expense reported in the government-wide statement of net position, and deferred charges on debt refundings resulting from a difference in the reacquisition price in excess of the net carrying amount of the refunded debt which is amortized over the shorter of the remaining life of the old debt or new debt, whichever is shorter.

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 three types of items that qualify for reporting in this category. The School District reports unavailable revenues from property taxes 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. Another item is changes in the net pension liability (asset) not included in pension expense reported in the government-wide statement of net position. The final item is changes in the total OPEB liability included in health insurance expense reported in the government-wide statement of net position.

Implementation of GASB Statement No. 87

As of July 1, 2021, the School District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain right-to-use leased assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. As a result of implementing this standard, the School District recognized right-to-use lease assets and lease liabilities of \$1,822,460 and \$1,822,460 as of July 1, 2021, respectively, within total governmental activities, and \$1,182,634 and \$1,182,634, respectively, within internal service funds. There was no effect on beginning net position as a result of these adjustments. The additional disclosures required by this standard are included in Notes 4 and 5.

Note 2 - Deposits and Investments Credit Risk, Concentrations of Credit Risk, and Interest Rate Risk

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

Deposits – The 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 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.

Investments – In general, SDCL 4-5-6 permits School District 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 (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 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.

The School District at times invests in certificates of deposit carried at amortized cost. As of June 30, 2022, the School District did not carry any investments.

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

Custodial Credit Risk-Deposits – The risk that, in the event of a depository failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2022, the School District's bank balances were \$186,346,721 which includes various bank accounts. Of these deposits, \$436,817 was covered by the FDIC and the remaining balance was uninsured but collateralized with securities held by the pledging financial institution.

Concentration of Credit Risk – The School District places no limit on the amount that may be invested in any one issuer.

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from deposits and investments to the fund holding the deposit or making the investment, except for checking account deposits which are recorded in the General Fund.

Note 3 - Receivables and Payables

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Receivables are reported net of an allowance for doubtful accounts.

Current taxes receivable are reported net of an allowance of \$74,885 in the General Fund, \$32,349 in the Capital Outlay Fund, \$23,773 in the Special Education Fund, and \$10,036 in the Bond Redemption Fund. Delinquent taxes receivable are reported net of an allowance of \$387,161 in the General Fund, \$121,865 in the Capital Outlay Fund, \$72,913 in the Special Education Fund, and \$14,854 in the Bond Redemption Fund.

Accounts receivable are reported net of an allowance of \$327,720 in the Post Secondary Vocational Fund, \$3,411 in the Post Secondary Bookstore Fund and \$3,526 in the Post Secondary Child Care Fund.

Note 4 - Changes in Capital Assets

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

Primary Government	(Restated) Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 17,910,100	\$ 360,000	\$ -	\$ 18,270,100
Construction in process	112,109,288	12,316,782	109,179,346	15,246,724
Total capital assets not being depreciated	130,019,388	12,676,782	109,179,346	33,516,824
Capital and right-to-use assets being depreciated/amortized:				
Buildings and improvements	404,671,230	113,429,501	-	518,100,731
Improvements other than buildings	25,044,041	857,748	-	25,901,789
Machinery and equipment	37,774,869	2,556,849	1,178,321	39,153,397
Right-to-use buildings	555,259	-	-	555,259
Right-to-use machinery and equipment	1,267,201	-	-	1,267,201
Total capital and right-to-use assets being depreciated/amortized	469,312,600	116,844,098	1,178,321	584,978,377
Less accumulated depreciation/amortization for:				
Buildings and improvements	162,231,366	11,798,016	-	174,029,382
Improvements other than buildings	16,022,657	1,390,466	-	17,413,123
Machinery and equipment	30,907,898	1,879,534	1,167,119	31,620,313
Right-to-use buildings	-	55,067	-	55,067
Right-to-use machinery and equipment	-	451,957	-	451,957
Total accumulated depreciation/amortization	209,161,921	15,575,040	1,167,119	223,569,842
Total capital and right-to-use assets being depreciated/amortized, net	260,150,679	101,269,058	11,202	361,408,535
Governmental activities capital and right-to-use assets, net	\$ 390,170,067	\$ 113,945,840	\$ 109,190,548	\$ 394,925,359

Depreciation/amortization expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 12,965,611
Support services	1,725,321
Community	3,012
Co-curricular activities	881,096
Total depreciation/amortization expense - governmental activities	\$ 15,575,040

Sioux Falls School District 49-5
Notes to Financial Statements
June 30, 2022

Business-Type Activities	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Capital assets being depreciated:				
Building improvements	\$ 5,888,548	\$ 77,946	\$ -	\$ 5,966,494
Improvements other than buildings	6,866	-	-	6,866
Machinery and equipment	5,612,973	992,603	108,065	6,497,511
Total being depreciated	11,508,387	1,070,549	108,065	12,470,871
Less accumulated depreciation for:				
Building improvements	3,853,510	138,122	-	3,991,632
Improvements other than buildings	5,309	343	-	5,652
Machinery and equipment	4,588,706	259,475	93,353	4,754,828
Total accumulated depreciation	8,447,525	397,940	93,353	8,752,112
Business-type activity capital assets, net	<u>\$ 3,060,862</u>	<u>\$ 672,609</u>	<u>\$ 14,712</u>	<u>\$ 3,718,759</u>
Business-type activities:				
Food service				\$ 376,190
Community services				15,398
Bookstore services				6,352
Total depreciation expense - business-type activities				<u>\$ 397,940</u>

As of June 30, 2022, the School District had remaining commitments of approximately \$15,269,000 related to the ongoing construction of various significant construction projects.

Note 5 - Long-Term Liabilities and Lease Activity

A summary of changes in governmental activities long-term liabilities follows:

Primary Government	(Restated) Balance July 1, 2021	Issued	Retired	Balance June 30, 2022	Due Within One Year
Governmental Activities:					
Capital outlay certificates	\$ 93,610,000	\$ -	\$ 9,270,000	\$ 84,340,000	\$ 8,685,000
Unamortized premium	4,998,675	-	1,335,017	3,663,658	-
Unamortized discount	(13,944)	-	(4,428)	(9,516)	-
Total capital outlay certificates	98,594,731	-	10,600,589	87,994,142	8,685,000
General obligation bonds	159,060,000	51,300,000	2,000,000	208,360,000	5,000,000
Unamortized premium	-	956,677	21,015	935,662	-
Total general obligation bonds	159,060,000	52,256,677	2,021,015	209,295,662	5,000,000
Lease liabilities	1,822,460	-	478,008	1,344,452	432,232
Total debt	259,477,191	52,256,677	13,099,612	298,634,256	14,117,232
OPEB liability	23,429,457	5,587,437	-	29,016,894	-
Accrued vacation payable	2,354,511	2,107,587	1,745,012	2,717,086	2,717,086
Early retirement obligation	551,377	-	551,377	-	-
Total governmental activities	<u>\$ 285,812,536</u>	<u>\$ 59,951,701</u>	<u>\$ 15,396,001</u>	<u>\$ 330,368,236</u>	<u>\$ 16,834,318</u>

Sioux Falls School District 49-5

Notes to Financial Statements

June 30, 2022

A summary of changes in business-type activities long-term liabilities follows:

Primary Government	Balance July 1, 2021	Issued	Retired	Balance June 30, 2022	Due Within One Year
Business-Type Activities:					
OPEB liability	\$ 633,959	\$ 968,514	\$ -	\$ 1,602,473	\$ -
Accrued vacation payable	162,554	155,508	117,200	200,862	200,862
Total business-type activities	<u>\$ 796,513</u>	<u>\$ 1,124,022</u>	<u>\$ 117,200</u>	<u>\$ 1,803,335</u>	<u>\$ 200,862</u>

Accrued vacation for governmental activities and business-type activities typically have been liquidated out of the fund in which the respective wages have been recognized.

Capital outlay certificates are payable from tax levies of the Capital Outlay Fund and the debt service for the certificates is accounted for in the Capital Outlay Fund. A summary of capital outlay certificates outstanding at June 30, 2022, is as follows:

Issue	Maturity Date	Interest Rate	Amount
2011	1/1/2027	4.80-4.85%	\$ 1,835,000
2015	1/1/2024	3.00-5.00%	1,250,000
2017A	8/1/2029	3.00-5.00%	8,700,000
2017B	2/1/2031	1.375-5.00%	19,085,000
2017C	8/1/2033	3.00-5.00%	34,955,000
2019	2/1/2026	2.00-4.00%	8,670,000
2021	8/1/2035	.215-1.998%	9,845,000
			<u>\$ 84,340,000</u>

Annual debt service requirements to maturity for capital outlay certificates are as follows:

Year Ending June 30,	Capital Outlay Certificates		
	Principal	Interest	Total
2023	\$ 8,685,000	\$ 3,091,535	\$ 11,776,535
2024	8,505,000	2,713,836	11,218,836
2025	8,900,000	2,340,494	11,240,494
2026	8,655,000	1,985,350	10,640,350
2027	7,230,000	1,647,268	8,877,268
2028-2032	33,785,000	5,319,339	39,104,339
2033-2037	8,580,000	664,987	9,244,987
	<u>\$ 84,340,000</u>	<u>\$ 17,762,809</u>	<u>\$ 102,102,809</u>

Sioux Falls School District 49-5

Notes to Financial Statements

June 30, 2022

General obligation bonds are payable from tax levies collected and the debt service for the general obligation bonds is accounted for in the bond redemption fund. A summary of general obligation bonds outstanding at June 30, 2022, is as follows:

<u>Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
2021	8/1/2039	.157-2.672%	\$ 157,060,000
2022	8/1/2046	3.00%	51,300,000
			<u>\$ 208,360,000</u>

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 5,000,000	\$ 4,170,773	\$ 9,170,773
2024	7,925,000	4,350,729	12,275,729
2025	7,960,000	4,316,514	12,276,514
2026	8,015,000	4,259,401	12,274,401
2027	8,095,000	4,181,631	12,276,631
2028-3032	42,310,000	19,067,222	61,377,222
2033-2037	46,790,000	14,580,925	61,370,925
2038-2042	44,540,000	8,533,567	53,073,567
2043-2047	37,725,000	2,897,175	40,622,175
	<u>\$ 208,360,000</u>	<u>\$ 66,357,937</u>	<u>\$ 274,717,937</u>

The School District has pledged state aid for the 2022 and 2021 general obligation bonds and the 2017A, 2017B, 2017C, 2019, and 2021 capital outlay certificates. In the event that the School District does not timely deposit the required principal and interest payments under the agreements, the South Dakota Department of Education may be required to redirect state aid payments to the bonding agent to satisfy and past due obligations.

The School District has entered into various lease agreements as a lessee of equipment and building space. The School District is required to make principal and interest payments through 2031 based on the terms of each lease. The lease agreements have interest rates between 3% and 12%, either the rate implicit in the lease or based on the School District's incremental borrowing rate at the inception of the lease if the interest rate implicit in the lease was not readily determinable. The total amount of right to use leased assets, and the related accumulated amortization of right to use leased assets was \$1,822,460 and \$507,024, as of June 30, 2022, respectively.

Sioux Falls School District 49-5

Notes to Financial Statements

June 30, 2022

Remaining principal and interest payments on lease liabilities are as follows:

Year Ending June 30,	Lease Liabilities		
	Principal	Interest	Total
2023	\$ 432,232	\$ 36,467	\$ 468,699
2024	440,798	22,534	463,332
2025	107,854	12,407	120,261
2026	54,047	10,171	64,218
2027	55,888	8,521	64,409
2028-2032	253,633	16,282	269,915
	<u>\$ 1,344,452</u>	<u>\$ 106,382</u>	<u>\$ 1,450,834</u>

A summary of changes in the component unit's long-term liabilities for the year ended December 31, 2021, is as follows:

Component Unit	Balance January 1, 2021	Issued	Retired	Balance December 31, 2021	Due Within One Year
Direct borrowings	<u>\$ 2,924,123</u>	<u>\$ -</u>	<u>\$ 217,995</u>	<u>\$ 2,706,128</u>	<u>\$ 169,714</u>

The direct borrowing carries a variable interest rate of 3% over the index, which is the monthly average yield on U.S. Treasury securities adjusted to a constant maturity of one year. Monthly payments of principal and interest are due with a balloon payment at maturity in April 2026.

Annual debt service requirements to maturity for capital outlay certificates are as follows:

Year Ending December 31,	Component Unit		
	Principal	Interest	Total
2022	\$ 169,714	\$ 114,824	\$ 284,538
2023	177,277	107,261	284,538
2024	185,177	99,361	284,538
2025	193,429	91,109	284,538
2026	1,980,531	82,490	2,063,021
	<u>\$ 2,706,128</u>	<u>\$ 495,045</u>	<u>\$ 3,201,173</u>

The School District leases the facilities for a portion of Southeast Technical College from the South Dakota Board of Technical Education (the Board). The facilities were constructed by the South Dakota Health and Education Facilities Authority (the Authority) funded by proceeds from bonds issued. The Board leases the facilities from the Authority and then sub-leases it to the School District. The lease agreement between the Board and the Authority calls for rental payments that coincide with the required debt service of the Authority. Currently, the rental payments are being paid from the facility fee fund account maintained by the trustee. The facility fee is a per credit hour fee collected from each student attending the four vocational technical schools in South Dakota assessed by the South Dakota Board of Education. These fees are collected by the School District and remitted to the trustee for the purpose of making the lease rental payments to the Authority that ultimately retire the indebtedness of the Authority related to the facilities constructed at the various vocational technical schools. As of June 30, 2022, it is anticipated that the facility fees held by the trustee will be sufficient to make the lease rental payments throughout the duration of the leased facilities; therefore, no rent expense or lease liability has been recorded by the School District. The lease term is for 25 years, although there is a cancellation clause for non-appropriation of funds. At the conclusion of the lease, the School District and the Board have the option of renewing the lease on an annual basis for \$100, subject to the restriction on use of the facilities for post-secondary vocational technical education. The School District is responsible for all repair and maintenance costs associated with the facilities.

Note 6 - Restricted Net Position

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

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Capital outlay	Law	\$ 39,526,224
Special education	Law	9,705,897
SDRS pension benefits	Law	24,193,862
Post secondary vocational	Law	3,848,199
Debt service	Law	8,087,508
Total restricted net position		<u>\$ 85,361,690</u>

Note 7 - Other Post-Employment Benefits

Plan Description

The School District has a single-employer, defined-benefit health care plan. The plan provides medical insurance benefits to eligible retirees and their spouses as permitted by South Dakota Codified Law 6-1-16 and 13-10-3. Benefit provisions were established and may be amended during the negotiated agreement process between School District certified staff and the governing board. The health plan does not issue separately stated stand-alone financial statements.

Benefits Provided

The School District provides health care and life insurance benefits for retirees and their dependents. The benefit terms provide for retirees to participate in the plan by paying 102% of the active employee premium through age 65. The plan also allows retirees to participate in the plan for up to \$10,000 of life insurance benefits by paying 102% of the active employee premium through age 65.

Funding Policy

The School District funds the OPEB benefits on a pay-as-you-go basis; therefore, the School District's obligation is unfunded at June 30, 2022. There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees Covered by Benefit Terms

At the valuation date of June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	150
Active employees	<u>2,880</u>
	<u><u>3,030</u></u>

Total OPEB Liability

The School District's total OPEB liability of \$30,619,367 was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2022.

Actuarial Assumptions

The total OPEB liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	3.50% per annum
Discount rate - beginning of year	2.16% per annum - Bond Buyer 20-Bond GO index
Discount rate - end of year	3.54% per annum - Bond Buyer 20-Bond GO index
Healthcare cost trend rates	7.0% decreasing by .25% each year to ultimate 4.0% rate

The plan has not had a formal actuarial experience study performed.

Other Assumptions

Mortality	PUB-2010 headcount weighted base mortality table, projected generationally using Scale MP-2021, applied on a gender specific and job class basis
Future Retiree Participation Rate	60% for medical plan and 80% for life insurance plan
Age Difference	Husbands assumed to be three years older than spouse
Termination	Same as 2021 SDRS
Retirement Age	Same as 2021 SDRS

Changes in the net OPEB liability

Balance at July 1, 2021	\$ 24,063,416
Service cost	1,722,533
Interest cost	546,717
Difference between expected and actual experience	6,102,201
Changes in assumptions or other inputs	(818,755)
Benefit payments	(996,745)
Net change	6,555,951
Balance at June 30, 2022	\$ 30,619,367

Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	2.54%	3.54%	4.54%
Total OPEB Liability	\$ 33,526,178	\$ 30,619,367	\$ 27,995,887

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rate 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Healthcare trend rate	6.0%	7.0%	8.0%
Total OPEB Liability	\$ 26,693,632	\$ 30,619,367	\$ 35,319,222

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the School District recognized an increase of health insurance expense of \$2,760,723 due to OPEB. At June 30, 2022, the School District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,618,276	\$ 1,265,351
Changes of assumptions/inputs	<u>2,348,005</u>	<u>1,083,127</u>
Total	<u><u>\$ 7,966,281</u></u>	<u><u>\$ 2,348,478</u></u>

Deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30,	Amount
2023	\$ 491,473
2024	491,473
2025	491,473
2026	491,473
2027	491,473
Thereafter	<u>3,160,438</u>
	<u><u>\$ 5,617,803</u></u>

Note 8 - Litigation

In the ordinary course of business, the School District is party to a number of legal proceedings as a plaintiff or defendant; however, management does not believe that the ultimate disposition of any of these proceedings will have a material effect on the School District's financial position or results of operations.

Note 9 - Risk Management

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

Employee Health Insurance

The School District has established an Insurance Trust Fund for the purpose of paying claims of the employee group health care benefit plan. Premiums are paid by both the School District and the School District's employees and are charged against the appropriate fund. Excess loss insurance is provided through private insurance carriers for claims exceeding \$300,000 per individual with an unlimited maximum. At June 30, 2022, an estimated liability of \$2,800,000 was accrued for incurred, but not reported, claims. This estimate was based on information obtained from the plan's third-party administrator and past experience of the plan. The Insurance Trust Fund is reported as an internal service fund in these financial statements. The School District is responsible for deficiencies, if any, resulting from claims paid in excess of premiums received. At June 30, 2022, the insurance trust internal service fund had a net position balance of \$11,325,724.

The following is a history of the claims activity for the fund for the years ended June 30, 2022, 2021, and 2020, respectively.

	2022	2021	2020
Amount of claim liabilities, beginning of year	\$ 3,200,000	\$ 3,000,000	\$ 3,300,000
Incurred claims	41,568,211	39,179,330	34,642,123
Claims paid	(41,968,211)	(38,979,330)	(34,942,123)
Amount of claim liabilities, end of year	<u>\$ 2,800,000</u>	<u>\$ 3,200,000</u>	<u>\$ 3,000,000</u>

Workers' Compensation Insurance

The School District 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.

Liability Insurance

The School District purchases liability insurance for risks related to torts; theft of or damage to property; destruction of assets, errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting 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. During the year ended June 30, 2022, claims filed for unemployment benefits resulted in the payment of benefits in the amount of \$3,338 and \$12,737 of previously paid claims was refunded.

Note 10 - 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 than 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 ended June 30, 2022, 2021, and 2020, were \$10,379,611, \$9,594,414, and \$9,331,331, 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 share of the components of the net pension asset of the SDRS, 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	\$ 977,599,620
Less proportionate share of net position restricted for pension benefits	<u>1,031,591,688</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (53,992,068)</u></u>

At June 30, 2022, the School District reported a liability (asset) of (\$53,992,068) 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 7.050148%, which is a decrease of .0435790% from its proportion measured as of June 30, 2020.

Sioux Falls School District 49-5

Notes to Financial Statements

June 30, 2022

For the year ended June 30, 2022, the School District recognized a reduction of pension expense of \$14,851,608. 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	\$ 1,938,456	\$ 141,556
Changes in assumption	62,090,328	27,038,447
Net difference between projected and actual earnings on pension plan investments	-	77,128,749
Changes in proportion and difference between School District contributions and proportionate share of contributions	152,041	49,890
School District contributions subsequent to the measurement date	10,379,611	-
Total	<u>\$ 74,560,436</u>	<u>\$ 104,358,642</u>

There is \$10,379,611 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date. This 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	\$ (9,899,701)
2024	(6,705,812)
2025	(1,874,323)
2026	(21,697,981)
Total	<u>\$ (40,177,817)</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. Composed of an average inflation rate of 2.25% and real returns of 4.25%
Future COLAs	2.25%

Mortality rates are based on 97% of the RP-2014 Mortality Table, 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, 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 weighting 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%
Total	<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 employee 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's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 87,426,590	\$ (53,992,068)	\$ (168,791,098)

Pension Plan Fiduciary Net Position

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

Note 11 - Early Retirement Plan

The School District has an employment contract which provides for an early retirement benefit. The School District amended the early retirement plan for teachers effective with the year ended June 30, 2019, and for administrators effective with the year ended June 30, 2020. The amended plans provide for an early retirement cash benefit of \$5,000, plus an additional amount for a retiring teacher or administrator's unused sick leave. The total amount of the additional sick leave benefit cannot exceed \$10,000. In addition, there is a nine-year phase-out provision of the previous early retirement plan for administrators. Eligible administrators will be paid under whichever plan provides the higher amount. Benefits under both plans are paid in one annual installment due June 30 of each year paid into a SDRS Special Pay Plan as a 401(a) tax-sheltered contribution, or held to be used to fund future medical insurance premiums. To collect these benefits, notification must be given no later than February 1 of the year in which such retirement will occur. 141 employees were expected to be eligible for early retirement benefits by February 1, 2023, not all of whom were expected to elect early retirement. The early retirement benefits are funded from the applicable fund on a pay-as-you-go basis.

Note 12 - Tax Abatements

Counties and cities located within the School District may enter into property tax abatement agreements with local businesses as a means of retaining or attracting businesses and promoting economic growth and residential development within their respective jurisdiction. Property tax abatements for the year ended June 30, 2022, were approximately \$96,000.

Note 13 - Interfund Balances and Interfund Transfers

At June 30, 2022, the following funds had interfund balances:

Fund	Interfund	
	Receivable	Payable
General	\$ -	\$ 78,673
Capital outlay	907,238	-
Special education	-	19,578
Post secondary vocational	-	7,020
Food service	-	910,721
Community relations	-	2,334
Custodial	111,088	-
	<u>\$ 1,018,326</u>	<u>\$ 1,018,326</u>

The purpose of the interfund balances is for reimbursement of expenses that were incurred during 2022, but not reimbursed until subsequent to June 30, 2022, or to temporarily cover fund operations. The School District expects that all interfund balances will be repaid within 12 months.

During the year ended June 30, 2022, the following interfund transfers occurred:

Transfers from fund:	Transfers to fund:	
	Post Secondary Food Service	Post Secondary Child Care
Post secondary vocational	\$ 85,000	\$ 191,000
	<u>\$ 85,000</u>	<u>\$ 191,000</u>

Transfers from the post secondary vocational fund to post secondary food service and post secondary child care were to supplement operations.

Note 14 - Subsequent Events

Subsequent to year end, the School District entered into a lease agreement for the use of certain real property and building by Southeast Technical College. The lease has an original lease term of 5 years that commenced on September 1, 2022 and ends August 30, 2027. The School District has the option of extending the lease term for one additional 5 year period commencing September 1, 2027. Monthly base rent is \$18,750 through the original lease term and the School District is responsible for all taxes, assessments, utilities, and repairs. At the end of the original 5 year lease term the School District has the option to purchase the real estate for \$4,125,000. If the lease is timely renewed for the 5 year renewal term, the School district has the option to purchase the real estate at the end of the renewal term for \$3,000,000.

Sioux Falls School District 49-5



Required Supplementary Information
June 30, 2022

Sioux Falls School District 49-5
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2022

	2022	2021	2020	2019	2018
Service cost	\$ 1,722,533	\$ 1,671,249	\$ 1,279,768	\$ 1,240,912	\$ 1,194,678
Interest	546,717	528,845	761,471	769,373	749,887
Difference between expected and actual experience	6,102,201	-	-	-	-
Changes of assumptions or other inputs	(818,755)	108,006	650,487	719,881	(545,308)
Benefit payments	(996,745)	(1,006,133)	(813,640)	(972,656)	(717,703)
Net change in total OPEB liability	6,555,951	1,301,967	1,878,086	1,757,510	681,554
Total OPEB liability - beginning	24,063,416	22,761,449	20,883,363	19,125,853	18,444,299
Total OPEB liability - ending	<u>\$ 30,619,367</u>	<u>\$ 24,063,416</u>	<u>\$ 22,761,449</u>	<u>\$ 20,883,363</u>	<u>\$ 19,125,853</u>
Covered-employee payroll	\$ 162,227,970	\$ 156,742,000	\$ 151,442,000	\$ 149,086,436	\$ 146,136,621
District's total OPEB liability as a percentage of covered-employee payroll	18.87%	15.35%	15.03%	14.01%	13.09%

*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

Plan Assets

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefit Provision Changes

None.

Changes in Assumptions

Since the last valuation, the following changes of assumptions have been made:

- The discount rates have been updated from 2.16% to 3.54%.
- The trend rates were reset to an initial rate of 7.00%, grading down by .25% per year until reaching the ultimate rate of 4.00% based on current Healthcare Analytics (HCA) Consulting trend study; current economic environment suggests a longer period until reaching the ultimate rate.
- The mortality projection scale was updated from MP-2019 to MP-2021 to reflect the Society of Actuaries' recent mortality study.

Sioux Falls School District 49-5
Budgetary Comparison Schedule – Budgetary Basis – General Fund
Year Ended June 30, 2022

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 73,993,736	\$ 73,993,736	\$ 73,567,193	\$ (426,543)
Prior year's ad valorem taxes	-	-	661,998	661,998
Tax deed revenue	-	-	93,697	93,697
Gross receipts taxes	1,961,014	1,961,014	1,139,769	(821,245)
Other taxes	26,000	26,000	273,856	247,856
Penalties and interest on taxes	120,000	120,000	149,811	29,811
Tuition and fees	370,072	370,072	441,043	70,971
Earnings on investments and deposits	250,000	250,000	358,102	108,102
Co-curricular activities:				
Admissions	249,900	249,900	265,325	15,425
Bookstore sales	-	-	11,226	11,226
Other student activity income	147,631	617,631	437,521	(180,110)
Other revenue from local sources:				
Rentals	50,000	50,000	68,723	18,723
Contributions and donations	-	438,221	369,163	(69,058)
Judgments	1,073	1,073	3,038	1,965
Charges for services	450,000	450,000	628,238	178,238
Other	916,296	4,543,998	5,937,151	1,393,153
Revenue from intermediate sources				
County sources:				
County apportionment	1,032,113	1,032,113	835,861	(196,252)
Revenue from state sources				
Grants-in-aid:				
Unrestricted grants-in-aid	91,056,309	91,056,309	88,487,459	(2,568,850)
Restricted grants-in-aid	4,184	4,184	259,811	255,627
Tuition	-	-	48,106	48,106
Other state revenue	-	1,071	9,259	8,188
Revenue from federal sources				
Grants-in-aid:				
Restricted grants-in-aid received directly from federal government	3,540,225	3,540,225	5,275,249	1,735,024
Restricted grants-in-aid received from federal government through the state	9,270,390	16,189,879	26,613,927	10,424,048
Johnson O'Malley funds	13,500	13,500	12,785	(715)
Other federal revenue	40,300	48,827	23,742	(25,085)
Total revenues	<u>183,492,743</u>	<u>194,957,753</u>	<u>205,972,053</u>	<u>11,014,300</u>

Sioux Falls School District 49-5
Budgetary Comparison Schedule – Budgetary Basis – General Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Instruction				
Regular programs:				
Elementary schools	42,887,793	45,124,915	46,075,415	(950,500)
Middle/junior high schools	24,112,949	25,334,787	26,089,713	(754,926)
High school	29,693,145	31,184,395	31,136,263	48,132
Preschool services	155,400	769,404	665,332	104,072
Special programs:				
Gifted and talented	799,739	805,176	882,127	(76,951)
Culturally different	6,164,237	6,231,488	5,790,645	440,843
Educationally deprived	4,316,128	4,342,396	4,451,470	(109,074)
Other special programs	5,641,754	6,029,017	4,918,779	1,110,238
Support services				
Pupils:				
Attendance and social work	1,047,147	1,236,801	1,148,938	87,863
Guidance	6,278,068	6,840,963	6,402,957	438,006
Health	1,313,860	1,422,608	1,437,674	(15,066)
Psychological	-	137,833	125,209	12,624
Orientation and mobility services	2,375	2,375	1,377	998
Support services - instructional staff:				
Improvement of instruction	7,464,170	7,616,268	7,671,776	(55,508)
Educational media	4,213,458	4,222,056	4,203,849	18,207
Support services - general administration:				
Board of Education	1,061,790	1,371,790	1,264,875	106,915
Executive administration	472,954	1,044,320	1,073,573	(29,253)
Support services - school administration:				
Office of the Principal	14,126,953	14,196,843	14,579,727	(382,884)
Title I program administration	27,491	27,491	26,145	1,346
Other support services	1,240,426	1,889,689	1,983,605	(93,916)
Support services - business:				
Fiscal services	1,652,004	1,847,004	1,790,938	56,066
Operation and maintenance of plant	21,310,436	21,311,509	21,025,007	286,502
Pupil transportation	6,082,875	6,499,037	6,097,066	401,971
Food services	300,860	821,303	869,831	(48,528)
Support services - central:				
Planning	827,170	827,170	809,963	17,207
Staff	843,537	1,597,862	1,512,316	85,546
Data processing	3,724,527	4,209,917	3,837,331	372,586
Community services				
Nonpublic school	209,166	209,166	180,083	29,083
Other	-	25,615	25,958	(343)
Nonprogrammed costs				
Payments to state - unemployment	15,000	15,000	(9,399)	24,399
Early retirement payments	1,000,000	1,000,000	1,054,234	(54,234)
Co-curricular activities				
Male activities	1,923,528	1,923,528	1,824,544	98,984
Female activities	1,540,113	1,540,113	1,379,294	160,819
Combined activities	965,716	3,205,205	3,203,589	1,616
Total expenditures	<u>191,414,769</u>	<u>204,863,044</u>	<u>203,530,204</u>	<u>1,332,840</u>
Excess of Revenue over (under) Expenditures	<u>(7,922,026)</u>	<u>(9,905,291)</u>	<u>2,441,849</u>	<u>12,347,140</u>

Sioux Falls School District 49-5
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Sources (Uses)				
Transfers in	5,100,000	5,100,000	-	(5,100,000)
Sale of surplus property	-	-	5,000	5,000
Total other financing sources (uses)	5,100,000	5,100,000	5,000	(5,095,000)
Net Change in Fund Balances	(2,822,026)	(4,805,291)	2,446,849	7,252,140
Fund Balance - Beginning	29,832,928	29,832,928	29,832,928	-
Fund Balance - Ending	<u>\$ 27,010,902</u>	<u>\$ 25,027,637</u>	<u>\$ 32,279,777</u>	<u>\$ 7,252,140</u>

Sioux Falls School District 49-5
Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 32,559,334	\$ 32,559,334	\$ 32,097,517	\$ (461,817)
Prior year's ad valorem taxes	-	-	277,967	277,967
Other taxes	11,000	11,000	119,443	108,443
Penalties and interest on taxes	-	-	50,809	50,809
Tuition and fees	40,572	40,572	42,035	1,463
Earnings on investments and deposits	130,000	130,000	133,732	3,732
Other revenue from local sources:				
Rentals	-	-	11,000	11,000
Contributions and donations	9,502	9,502	89,501	79,999
Judgments	365	365	985	620
Other	54,133	720,932	1,025,717	304,785
Revenue from federal sources				
Grants-in-aid:				
Restricted grants-in-aid received directly from federal government	-	2,540	18,901	16,361
Restricted grants-in-aid received from federal government through the state	-	8,019,264	8,307,757	288,493
Other federal revenue	3,974,638	3,974,638	292,290	(3,682,348)
Total revenues	36,779,544	45,468,147	42,467,654	(3,000,493)
Expenditures				
Instruction				
Regular programs:				
Elementary schools	883,906	3,887,886	3,253,511	634,375
Middle/junior high schools	921,419	2,243,088	2,081,039	162,049
High school	1,291,975	2,439,863	2,237,684	202,179
Preschool services	-	2,540	755	1,785
Special programs:				
Programs for special education	-	-	600	(600)
Other special programs	41,805	60,722	46,542	14,180
Support services				
Pupils:				
Guidance	-	-	4,064	(4,064)
Health	12,601	12,601	42,262	(29,661)
Support services - instructional staff:				
Educational media	9,725	108,874	99,752	9,122
Support services - school administration:				
Office of the Principal	71,123	89,185	47,930	41,255
Other support services	-	-	7,797	(7,797)
Support services - business:				
Fiscal services	128,793	128,893	363,814	(234,921)
Facilities acquisition and construction	7,987,592	13,082,447	6,903,273	6,179,174
Operation and maintenance of plant	423,750	566,750	281,614	285,136
Pupil transportation	3,400	3,400	41,684	(38,284)
Support services - central:				
Planning	-	-	10,754	(10,754)
Data processing	4,274,323	4,281,859	1,370,013	2,911,846

Sioux Falls School District 49-5
 Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund
 Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Community services				
Nonpublic school	-	-	30,736	(30,736)
Nonprogrammed charges				
Other nonprogrammed costs	924,710	924,710	977,673	(52,963)
Debt services	12,763,914	12,763,914	12,748,178	15,736
Co-curricular activities				
Male activities	73,750	189,435	197,294	(7,859)
Female activities	60,200	71,061	75,308	(4,247)
Combined activities	-	272,457	285,058	(12,601)
Total expenditures	<u>29,872,986</u>	<u>41,129,685</u>	<u>31,107,335</u>	<u>10,022,350</u>
Excess of Revenue over (under) Expenditures	<u>6,906,558</u>	<u>4,338,462</u>	<u>11,360,319</u>	<u>7,021,857</u>
Other Financing Sources (Uses)				
Transfers out	(5,100,000)	(5,100,000)	-	5,100,000
Sale of surplus property	-	-	13,723	(13,723)
Total other financing sources (uses)	<u>(5,100,000)</u>	<u>(5,100,000)</u>	<u>13,723</u>	<u>5,086,277</u>
Net Change in Fund Balances	1,806,558	(761,538)	11,374,042	12,108,134
Fund Balance - Beginning	<u>33,670,632</u>	<u>33,670,632</u>	<u>33,670,632</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 35,477,190</u>	<u>\$ 32,909,094</u>	<u>\$ 45,044,674</u>	<u>\$ 12,108,134</u>

Sioux Falls School District 49-5
Budgetary Comparison Schedule – Budgetary Basis – Special Education Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 23,257,794	\$ 23,257,794	\$ 23,043,140	\$ (214,654)
Prior year's ad valorem taxes	-	-	183,058	183,058
Other taxes	8,000	8,000	85,655	77,655
Penalties and interest on taxes	15,000	15,000	32,002	17,002
Tuition and fees	117,000	117,000	133,940	16,940
Earnings on investments and deposits	65,000	65,000	32,854	(32,146)
Other revenue from local sources:				
Contributions and donations	-	1,184	1,184	-
Charges for services	500,000	500,000	464,607	(35,393)
Other	-	-	1,369	1,369
Revenue from state sources				
Grants-in-aid:				
Restricted grants-in-aid	19,222,421	19,222,421	18,866,568	(355,853)
Tuition	10,000	10,000	3,291	(6,709)
Other state revenue	-	-	3,295	3,295
Revenue from federal sources				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	5,257,000	5,364,489	6,739,006	1,374,517
Total revenues	<u>48,452,215</u>	<u>48,560,888</u>	<u>49,589,969</u>	<u>1,029,081</u>
Expenditures				
Instruction				
Special programs:				
Programs for special education	34,348,872	34,504,561	31,678,348	2,826,213
Coordinated early intervening services instruction	-	-	519	(519)
Support services				
Pupils:				
Health	10,000	10,000	8,788	1,212
Psychological	-	-	4,802	(4,802)
Speech pathology	2,643,915	2,643,915	3,257,586	(613,671)
Student therapy services	2,446,098	2,446,098	2,342,043	104,055
Orientation and mobility services	139,073	139,073	137,727	1,346
Support services - special education:				
Administrative costs	2,189,206	2,189,206	3,139,432	(950,226)
Transportation costs	2,632,488	2,632,488	2,938,311	(305,823)
Other special education costs	4,577,857	4,577,857	3,414,262	1,163,595
Nonprogrammed charges				
Early retirement payments	120,000	120,000	164,608	(44,608)
Debt services	-	-	59,802	(59,802)
Total expenditures	<u>49,107,509</u>	<u>49,263,198</u>	<u>47,146,228</u>	<u>2,116,970</u>
Net Change in Fund Balances	(655,294)	(702,310)	2,443,741	3,146,051
Fund Balance - Beginning	<u>7,001,603</u>	<u>7,001,603</u>	<u>7,001,603</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 6,346,309</u>	<u>\$ 6,299,293</u>	<u>\$ 9,445,344</u>	<u>\$ 3,146,051</u>

Sioux Falls School District 49-5

Budgetary Comparison Schedule – Budgetary Basis – Post Secondary Vocational Fund

Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from local sources				
Tuition and fees	\$ 208,750	\$ 208,750	\$ 232,707	\$ 23,957
Post secondary program tuition and fees	13,853,720	13,853,720	13,237,775	(615,945)
Earnings on investments and deposits	14,173	14,173	30,950	16,777
Co-curricular activities:				
Bookstore sales	690,000	690,000	651,335	(38,665)
Post secondary:				
Resales/services - occupational programs	102,250	102,250	82,654	(19,596)
Other revenue from local sources:				
Rentals	23,250	23,250	21,550	(1,700)
Contributions and donations	357,000	357,000	372,221	15,221
Other	387,077	414,458	396,550	(17,908)
Revenue from state sources				
Grants-in-aid:				
Unrestricted grants-in-aid	7,469,979	7,469,979	7,421,325	(48,654)
Other state revenue	1,004,832	1,004,832	877,220	(127,612)
Revenue from federal sources				
Grants-in-aid:				
Restricted grants-in-aid received directly from federal government	-	4,647,290	4,631,724	(15,566)
Restricted grants-in-aid received from federal government through the state	1,071,342	1,071,342	1,037,905	(33,437)
Other federal revenue	258,800	258,800	43,719	(215,081)
Total revenues	25,441,173	30,115,844	29,037,635	(1,078,209)
Expenditures				
Instruction				
Adult continuing education programs	413,120	413,120	364,912	48,208
Post secondary occupational programs	11,845,805	11,873,186	11,503,443	369,743
Support services				
Pupils:				
Guidance	1,049,558	1,049,558	1,020,219	29,339
Support services - instructional staff:				
Improvement of instruction	1,405,978	1,405,978	1,304,727	101,251
Support services - general administration:				
Board of Education	271,000	271,000	298,101	(27,101)
Executive administration	120,793	120,793	94,760	26,033
Support services - school administration:				
Financial aid administration	358,707	358,707	353,822	4,885
Other support services	3,909,708	3,909,708	3,542,938	366,770
Support services - business:				
Fiscal services	962,921	962,921	1,046,734	(83,813)
Facilities acquisition and construction	1,102,742	1,102,742	781,503	321,239
Operation and maintenance of plant	2,635,983	2,635,983	1,899,353	736,630
Internal services	91,300	91,300	-	91,300
Support services - central:				
Staff	15,000	15,000	3,098	11,902
Data processing	1,783,333	3,222,219	3,855,664	(633,445)

Sioux Falls School District 49-5

Budgetary Comparison Schedule – Budgetary Basis – Post Secondary Vocational Fund

Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Nonprogrammed charges				
Student financial aid	-	2,518,438	2,518,438	-
Early retirement payments	28,559	28,559	28,558	1
Debt services	-	-	71,162	(71,162)
Co-curricular activities				
Combined activities	12,632	12,632	15,530	(2,898)
Total expenditures	26,007,139	29,991,844	28,702,962	1,288,882
Excess of Revenue over Expenditures	(565,966)	124,000	334,673	210,673
Other Financing Sources (Uses)				
Transfers out	(124,000)	(276,000)	(276,000)	-
Sale of surplus property	-	-	20	20
Total other financing sources (uses)	(124,000)	(276,000)	(275,980)	20
Net Change in Fund Balances	(689,966)	(152,000)	58,693	210,693
Fund Balance - Beginning	4,292,117	4,292,117	4,292,117	-
Fund Balance - Ending	<u>\$ 3,602,151</u>	<u>\$ 4,140,117</u>	<u>\$ 4,350,810</u>	<u>\$ 210,693</u>

Note 1 - Budgets and Budgetary Accounting

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

1. Prior to the first regular School Board meeting in May of each year, a proposed budget is prepared for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
6. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in Number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 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 money is available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
11. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Note 2 - U.S. GAAP and Budgetary Accounting Basis Differences

The School District is reporting financial position, results of operations, and changes in fund balances on the basis of GAAP, while the budgetary comparison schedules are presented on the budgetary basis to provide meaningful comparison of actual results with the budget. There are no major differences between the budgetary basis and the GAAP basis presented.

Sioux Falls School District 49-5
Schedule of Employer's Share of Net Pension Liability (Asset)
Year Ended June 30, 2022

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	7.0501%	\$ (53,992,068)	159,469,000	-33.9%	105.52%
SDRS	6/30/2021	7.0940%	(308,079)	155,059,000	-0.2%	100.04%
SDRS	6/30/2020	7.2080%	(763,873)	152,783,000	-0.5%	100.09%
SDRS	6/30/2019	7.2250%	(168,498)	149,876,000	-0.1%	100.02%
SDRS	6/30/2018	7.1260%	(646,650)	144,439,000	-0.4%	100.10%
SDRS	6/30/2017	6.9870%	23,600,235	132,577,000	17.8%	96.89%
SDRS	6/30/2016	7.0950%	(30,092,793)	129,193,000	-23.3%	104.10%
SDRS	6/30/2015	7.0820%	(51,024,154)	123,553,000	-41.3%	107.30%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for 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 fiscal year.

Sioux Falls School District 49-5
Schedule of Employer's Contributions
Year Ended June 30, 2022

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to 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	\$ 10,379,611	\$ 10,379,611	-	\$ 172,617,699	6.0%
SDRS	6/30/2021	9,594,414	9,594,414	-	159,469,039	6.0%
SDRS	6/30/2020	9,331,331	9,331,331	-	155,059,071	6.0%
SDRS	6/30/2019	9,188,464	9,188,464	-	152,782,829	6.0%
SDRS	6/30/2018	9,015,464	9,015,464	-	149,876,141	6.0%
SDRS	6/30/2017	8,682,042	8,682,042	-	144,439,370	6.0%
SDRS	6/30/2016	7,975,665	7,975,665	-	132,577,390	6.0%
SDRS	6/30/2015	7,769,377	7,769,377	-	129,193,358	6.0%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-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.

Sioux Falls School District 49-5



Supplementary Information
June 30, 2022

Sioux Falls School District 49-5
Combining Balance Sheets – Nonmajor Governmental Funds
June 30, 2022

	Debt Service Fund	Capital Project Funds				
	Bond Redemption	New Elementary	Hail Damage	New High School	New Middle School	Totals
Assets						
Cash and cash equivalents	\$ 5,118,191	\$ 497,244	\$ 425,291	\$ 5,353,899	\$ 5,886,672	\$ 17,281,297
Taxes receivable - current	4,686,478	-	-	-	-	4,686,478
Taxes receivable - delinquent	101,787	-	-	-	-	101,787
Total assets	\$ 9,906,456	\$ 497,244	\$ 425,291	\$ 5,353,899	\$ 5,886,672	\$ 22,069,562
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 9,279	\$ 22,771	\$ 32,050
Total liabilities	-	-	-	9,279	22,771	32,050
Deferred Inflows of Resources						
Unavailable revenue-delinquent property taxes	101,787	-	-	-	-	101,787
Taxes levied for future period	5,006,872	-	-	-	-	5,006,872
Total deferred inflows of resources	5,108,659	-	-	-	-	5,108,659
Fund Balances						
Restricted for:						
Debt service	4,797,797	-	-	-	-	4,797,797
Capital projects	-	497,244	-	5,344,620	5,863,901	11,705,765
Assigned for:						
Hail damage projects	-	-	425,291	-	-	425,291
Total fund balances	4,797,797	497,244	425,291	5,344,620	5,863,901	16,928,853
	\$ 9,906,456	\$ 497,244	\$ 425,291	\$ 5,353,899	\$ 5,886,672	\$ 22,069,562

Sioux Falls School District 49-5

Combining Statements of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds

Year Ended June 30, 2022

	Debt Service Fund	Capital Project Funds				
	Bond Redemption	New Elementary	Hail Damage	New High School	New Middle School	Totals
Revenues						
Revenue from local sources						
Taxes:						
Ad valorem taxes	\$ 8,923,552	\$ -	\$ -	\$ -	\$ -	\$ 8,923,552
Prior year's ad valorem taxes	54,587	-	-	-	-	54,587
Other taxes	33,221	-	-	-	-	33,221
Penalties and interest on taxes	8,639	-	-	-	-	8,639
Earnings on investments and deposits	7,461	1	-	-	9,585	17,047
Other revenue from local sources:						
Other	-	-	-	118,318	394,842	513,160
Total revenues	9,027,460	1	-	118,318	404,427	9,550,206
Expenditures						
Debt services	4,085,251	-	-	-	-	4,085,251
Capital outlay	-	-	-	1,542,951	1,671,837	3,214,788
Total expenditures	4,085,251	-	-	1,542,951	1,671,837	7,300,039
Excess of Revenue over (under) Expenditures	4,942,209	1	-	(1,424,633)	(1,267,410)	2,250,167
Other Financing Sources (Uses)						
Proceeds from long-term debt	247,959	-	-	-	-	247,959
Premiums on debt issued	4,624	-	-	-	-	4,624
Total other financing sources	252,583	-	-	-	-	252,583
Net Change in Fund Balances	5,194,792	1	-	(1,424,633)	(1,267,410)	2,502,750
Fund Balance (Deficit) - Beginning	(396,995)	497,243	425,291	6,769,253	7,131,311	14,426,103
Fund Balance - Ending	\$ 4,797,797	\$ 497,244	\$ 425,291	\$ 5,344,620	\$ 5,863,901	\$ 16,928,853

Sioux Falls School District 49-5
Combining Statements of Net Position – Nonmajor Proprietary Funds
June 30, 2022

	Enterprise Funds						Internal Service Funds		
	Post Secondary Bookstore	Post Secondary Food Service	Post Secondary Child Care	Community Relations	House Construction	Totals	Insurance Trust	Reprographics	Totals
Assets									
Current assets									
Cash and cash equivalents	\$ 1,317,649	\$ 24,134	\$ 184,344	\$ 951,697	\$ 37,037	\$ 2,514,861	\$ 12,294,966	\$ 844,547	\$ 13,139,513
Accounts receivable, net	31,184	369	11,215	-	183,350	226,118	1,869,224	-	1,869,224
Due from other governments	-	1,000	-	375,420	-	376,420	-	-	-
Inventory of supplies	785,411	5,488	-	-	-	790,899	-	-	-
Inventory of stores purchased for resale	-	-	-	-	-	-	-	-	-
Inventory of donated food	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	3,466	-	3,466	-	-	-
Total current assets	2,134,244	30,991	195,559	1,330,583	220,387	3,911,764	14,164,190	844,547	15,008,737
Noncurrent assets									
Advance to imprest	-	-	-	15,000	-	15,000	-	-	-
Net pension asset	33,091	26,563	55,631	1,236,976	-	1,352,261	-	-	-
Capital assets									
Buildings	23,720	-	-	-	-	23,720	-	-	-
Improvements other than buildings	-	-	6,866	-	-	6,866	-	-	-
Machinery and equipment	285,764	205,760	10,303	154,778	5,000	661,605	-	182,492	182,492
Accumulated depreciation	(273,337)	(128,262)	(15,955)	(70,442)	(5,000)	(492,996)	-	(165,513)	(165,513)
Right-of-use lease assets	-	-	-	-	-	-	-	1,182,634	1,182,634
Accumulated amortization	-	-	-	-	-	-	-	(383,557)	(383,557)
Total noncurrent assets	69,238	104,061	56,845	1,336,312	-	1,566,456	-	816,056	816,056
Deferred outflows of resources									
Pension related deferred outflows	45,697	36,682	76,824	1,708,204	-	1,867,407	-	-	-
OPEB related deferred outflows	4,778	3,999	8,183	162,780	-	179,740	-	-	-
Total deferred outflows of resources	50,475	40,681	85,007	1,870,984	-	2,047,147	-	-	-
	\$ 2,253,957	\$ 175,733	\$ 337,411	\$ 4,537,879	\$ 220,387	\$ 7,525,367	\$ 14,164,190	\$ 1,660,603	\$ 15,824,793

Sioux Falls School District 49-5
Combining Statements of Net Position – Nonmajor Proprietary Funds
June 30, 2022

	Post Secondary Bookstore	Post Secondary Food Service	Post Secondary Child Care	Community Relations	House Construction	Totals	Internal Service Funds		
							Insurance Trust	Reprographics	Totals
Liabilities									
Current liabilities									
Accounts payable	\$ 121,079	\$ 3,510	\$ 325	\$ 70,570	\$ 19,023	\$ 214,507	\$ 38,466	\$ (5,778)	\$ 32,688
Contracts and benefits payable	10,563	6,245	18,822	662,431	-	698,061	-	5,409	5,409
Sales tax payable	291	278	-	-	12,350	12,919	-	-	-
Incurred but not reported claims	-	-	-	-	-	-	2,800,000	-	2,800,000
Due to other funds	-	-	-	2,334	-	2,334	-	-	-
Accrued vacation payable	12,236	10,295	-	74,766	-	97,297	-	4,385	4,385
Deposits payable	-	-	-	10,302	-	10,302	-	-	-
Total current liabilities	144,169	20,328	19,147	820,403	31,373	1,035,420	2,838,466	4,016	2,842,482
Noncurrent liabilities									
Net OPEB obligation	18,365	15,371	31,451	625,666	-	690,853	-	-	-
Lease liabilities	-	-	-	-	-	-	-	818,097	818,097
Total noncurrent liabilities	18,365	15,371	31,451	625,666	-	690,853	-	818,097	818,097
Deferred inflows of resources									
Pension related deferred inflows	63,960	51,341	107,527	2,390,891	-	2,613,719	-	-	-
OPEB related deferred inflows	1,409	1,179	2,412	47,988	-	52,988	-	-	-
Total deferred inflows of resources	65,369	52,520	109,939	2,438,879	-	2,666,707	-	-	-
Net Position									
Net investment in capital assets	36,147	77,498	1,214	84,336	-	199,195	-	(2,041)	(2,041)
Restricted for pension benefits	14,828	11,904	24,928	554,289	-	605,949	-	-	-
Unrestricted net position	1,975,079	(1,888)	150,732	14,306	189,014	2,327,243	11,325,724	840,531	12,166,255
Total net position	2,026,054	87,514	176,874	652,931	189,014	3,132,387	11,325,724	838,490	12,164,214
	\$ 2,253,957	\$ 175,733	\$ 337,411	\$ 4,537,879	\$ 220,387	\$ 7,525,367	\$ 14,164,190	\$ 1,660,603	\$ 15,824,793

Sioux Falls School District 49-5

Combining Statements of Revenues, Expenses, and Changes in Net Position – Nonmajor Proprietary Funds

Year Ended June 30, 2022

							Internal Service Funds		
	Post Secondary Bookstore	Post Secondary Food Service	Post Secondary Child Care	Community Relations	House Construction	Totals	Insurance Trust	Reprographics	Totals
Operating Revenues									
Sales									
Tuition	\$ -	\$ -	\$ -	\$ 4,276,338	\$ -	\$ 4,276,338	\$ -	\$ -	\$ -
To pupils	-	187,141	-	-	-	187,141	-	-	-
To adults	-	44,291	-	-	-	44,291	-	-	-
Bookstore sales	1,542,485	-	-	-	-	1,542,485	-	-	-
Self-insurance premiums	-	-	-	-	-	-	43,540,661	-	43,540,661
Daycare charges for services	-	-	240,114	-	-	240,114	-	-	-
Other local revenue	29,360	15,390	3,447	1,825,614	190,000	2,063,811	-	650,634	650,634
Total operating revenues	1,571,845	246,822	243,561	6,101,952	190,000	8,354,180	43,540,661	650,634	44,191,295
Operating Expenses									
Salaries	159,192	139,159	216,864	4,912,056	-	5,427,271	-	152,448	152,448
Employee benefits	43,022	85,325	89,035	1,162,172	-	1,379,554	-	35,347	35,347
Purchased services	23,835	8,256	114	340,360	18,094	390,659	3,908,912	23,780	3,932,692
Supplies	1,311,180	153,269	9,422	111,032	141,156	1,726,059	33,992	53,777	87,769
Cost of sales - purchased	49	-	121	102,347	-	102,517	-	-	-
Cost of sales - donated	-	-	-	-	-	-	-	-	-
Other	86,737	1,486	1,361	43,795	1,026	134,405	41,516,889	-	41,516,889
Depreciation	6,352	18,978	343	15,055	-	40,728	-	27,248	27,248
Amortization	-	-	-	-	-	-	-	383,557	383,557
Total operating expenses	1,630,367	406,473	317,260	6,686,817	160,276	9,201,193	45,459,793	676,157	46,135,950
Operating Income (Loss)	(58,522)	(159,651)	(73,699)	(584,865)	29,724	(847,013)	(1,919,132)	(25,523)	(1,944,655)

Sioux Falls School District 49-5

Combining Statements of Revenues, Expenses, and Changes in Net Position – Nonmajor Proprietary Funds

Year Ended June 30, 2022

							Internal Service Funds		
	Post Secondary Bookstore	Post Secondary Food Service	Post Secondary Child Care	Community Relations	House Construction	Totals	Insurance Trust	Reprographics	Totals
Nonoperating Revenue									
Local sources:									
Investment earnings	-	-	-	-	-	-	36,698	-	36,698
State sources:									
Cash reimbursements	-	-	-	-	-	-	-	-	-
Federal sources:									
Federal grants	-	-	116,823	1,282,469	-	1,399,292	-	-	-
Cash reimbursements	-	-	-	-	-	-	-	-	-
Donated food	-	-	-	-	-	-	-	-	-
Total nonoperating revenue	-	-	116,823	1,282,469	-	1,399,292	36,698	-	36,698
Nonoperating Expense									
Interest expense	-	-	-	-	-	-	-	(32,224)	(32,224)
Loss on disposal of capital assets	-	-	-	-	-	-	-	(150)	(150)
Total nonoperating revenue (expense)	-	-	116,823	1,282,469	-	1,399,292	36,698	(32,374)	4,324
Income (Loss) Before Transfers	(58,522)	(159,651)	43,124	697,604	29,724	552,279	(1,882,434)	(57,897)	(1,940,331)
Transfers in	-	85,000	191,000	-	-	276,000	-	-	-
Change in Net Position	(58,522)	(74,651)	234,124	697,604	29,724	828,279	(1,882,434)	(57,897)	(1,940,331)
Net Position - Beginning	2,084,576	162,165	(57,250)	(44,673)	159,290	2,304,108	13,208,158	896,387	14,104,545
Net Position - Ending	\$ 2,026,054	\$ 87,514	\$ 176,874	\$ 652,931	\$ 189,014	\$ 3,132,387	\$ 11,325,724	\$ 838,490	\$ 12,164,214

Sioux Falls School District 49-5
Combining Statements of Cash Flows – Nonmajor Proprietary Funds
Year Ended June 30, 2022

	Post Secondary Bookstore	Post Secondary Food Service	Post Secondary Child Care	Community Relations	House Construction	Totals	Internal Service Funds		
							Insurance Trust	Reprographics	Totals
Cash Flows from (used for) Operating Activities									
Cash receipts from customers	\$ 1,517,787	\$ 231,341	\$ 236,329	\$ 4,262,480	\$ -	\$ 6,247,937	\$ -	\$ -	\$ -
Cash receipts from interfund services provided	-	-	-	-	-	-	42,707,879	-	42,707,879
Other operating cash receipts	29,360	15,390	3,447	1,825,614	6,650	1,880,461	-	650,754	650,754
Payments to employees	(201,483)	(170,544)	(289,954)	(6,162,608)	-	(6,824,589)	-	(181,411)	(181,411)
Payments to suppliers	(1,411,984)	(162,332)	(99,298)	(562,141)	(128,903)	(2,364,658)	(3,942,904)	(80,813)	(4,023,717)
Payments for claims	-	-	-	-	-	-	(41,968,211)	-	(41,968,211)
Net Cash from (used for) Operating Activities	(66,320)	(86,145)	(149,476)	(636,655)	(122,253)	(1,060,849)	(3,203,236)	388,530	(2,814,706)
Cash Flows from Noncapital Financing Activities									
Transfers in from other funds	-	85,000	191,000	-	-	276,000	-	-	-
Operating subsidies and grants	-	3,386	116,823	908,193	-	1,028,402	-	-	-
Net Cash from Noncapital Financing Activities	-	88,386	307,823	908,193	-	1,304,402	-	-	-
Cash Flows from (used for) Capital and Related Financing Activities									
Cash paid for lease liabilities - principal	-	-	-	-	-	-	-	(364,537)	(364,537)
Cash paid for lease liabilities - interest	-	-	-	-	-	-	-	(32,224)	(32,224)
Purchase of capital assets	(1,928)	-	-	(35,538)	-	(37,466)	-	-	-
Net Cash used for Capital and Related Financing Activities	(1,928)	-	-	(35,538)	-	(37,466)	-	(396,761)	(396,761)
Cash Flows from Investing Activities									
Cash received for interest	-	-	-	-	-	-	36,698	-	36,698
Net Cash from Investing Activities	-	-	-	-	-	-	36,698	-	36,698
Net Change in Cash and Cash Equivalents	(68,248)	2,241	158,347	236,000	(122,253)	206,087	(3,166,538)	(8,231)	(3,174,769)
Cash and Cash Equivalents, Beginning of Year	1,385,897	21,893	25,997	715,697	159,290	2,308,774	15,461,504	852,778	16,314,282
Cash and Cash Equivalents, End of Year	\$ 1,317,649	\$ 24,134	\$ 184,344	\$ 951,697	\$ 37,037	\$ 2,514,861	\$ 12,294,966	\$ 844,547	\$ 13,139,513

Sioux Falls School District 49-5
Combining Statements of Cash Flows – Nonmajor Proprietary Funds
Year Ended June 30, 2022

	Post Secondary Bookstore	Post Secondary Food Service	Post Secondary Child Care	Community Relations	House Construction	Totals	Internal Service Funds		
							Insurance Trust	Reprographics	Totals
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities									
Operating income (loss)	\$ (58,522)	\$ (159,651)	\$ (73,699)	\$ (584,865)	\$ 29,724	\$ (847,013)	\$ (1,919,132)	\$ (25,523)	\$ (1,944,655)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:									
Depreciation and amortization expense	6,352	18,978	343	15,055	-	40,728	-	410,805	410,805
Change in assets and liabilities:									
Receivables	(24,698)	(91)	(3,785)	(15,000)	(183,350)	(226,924)	(832,782)	120	(832,662)
Inventories	(73,818)	450	-	-	-	(73,368)	-	-	-
Prepaid expenses	-	-	-	(2,216)	-	(2,216)	-	-	-
Pension asset and deferred outflows	(44,679)	12,085	(63,559)	(1,928,053)	-	(2,024,206)	-	-	-
OPEB deferred outflows	(3,082)	(2,853)	(5,418)	(108,423)	-	(119,776)	-	-	-
Accounts and other payables	83,635	229	170	35,275	31,373	150,682	(451,322)	(3,256)	(454,578)
Contracts payable	(11,461)	(6,851)	5,485	(31,962)	-	(44,789)	-	1,999	1,999
Due to other funds	-	-	(88,450)	2,334	-	(86,116)	-	-	-
Accrued vacation payable	12,236	10,295	-	74,766	-	97,297	-	4,385	4,385
Deposits payable	-	-	-	10,302	-	10,302	-	-	-
Unearned revenue	-	-	-	(9,160)	-	(9,160)	-	-	-
Pension liability and deferred inflows	37,485	31,899	62,519	1,540,067	-	1,671,970	-	-	-
OPEB liability and deferred inflows	10,232	9,365	16,918	365,225	-	401,740	-	-	-
Net Cash from (used for) Operating Activities	<u>\$ (66,320)</u>	<u>\$ (86,145)</u>	<u>\$ (149,476)</u>	<u>\$ (636,655)</u>	<u>\$ (122,253)</u>	<u>\$ (1,060,849)</u>	<u>\$ (3,203,236)</u>	<u>\$ 388,530</u>	<u>\$ (2,814,706)</u>
Noncash Investing, Capital and Financing Activities									
Loss on disposal of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150	\$ 150

Sioux Falls School District 49-5
Combining Statements of Fiduciary Net Position – Custodial Funds
June 30, 2022

	Flexible Spending Accounts	HEFA Fees	Other Custodial Funds	Totals
Assets				
Cash and cash equivalents	\$ 344,394	\$ 89,642	\$ 20,736	\$ 454,772
Due from other funds	111,088	-	-	111,088
Total assets	<u>\$ 455,482</u>	<u>\$ 89,642</u>	<u>\$ 20,736</u>	<u>\$ 565,860</u>
Liabilities				
Due to local governments	\$ -	\$ 89,642	\$ -	\$ 89,642
Total liabilities	<u>\$ -</u>	<u>\$ 89,642</u>	<u>\$ -</u>	<u>\$ 89,642</u>
Net Position				
Restricted for individuals and organizations	<u>\$ 455,482</u>	<u>\$ -</u>	<u>\$ 20,736</u>	<u>\$ 476,218</u>

Sioux Falls School District 49-5
Combining Statements of Changes in Fiduciary Net Position – Custodial Funds
Year Ended June 30, 2022

	Flexible Spending Accounts	HEFA Fees	Other Custodial Funds	Totals
Additions				
Fees collected for other governments	\$ -	\$ 1,923,349	\$ -	\$ 1,923,349
Employee contributions	1,382,990	-	-	1,382,990
Other	-	-	13,041	13,041
Total additions	1,382,990	1,923,349	13,041	3,319,380
Deductions				
Payment of fees to other governments	\$ -	\$ 1,923,349	\$ -	\$ 1,923,349
Payments to employees	1,405,236	-	-	1,405,236
Other	-	-	10,434	10,434
Total deductions	1,405,236	1,923,349	10,434	3,339,019
Change in net position	(22,246)	-	2,607	(19,639)
Net position - beginning	477,728	-	18,129	495,857
Net position - ending	\$ 455,482	\$ -	\$ 20,736	\$ 476,218



**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***

The School Board
Sioux Falls School District 49-5
Sioux Falls, 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Sioux Falls School District 49-5 (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 March 27, 2023. Our opinion was qualified with respect to the food service fund and business-type activities as we were unable to obtain sufficient appropriate audit evidence about the carrying amount of the School District's food service fund inventory as of June 30, 2022, and cost of sales related to food inventory for the year then ended.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 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 finding identified in our audit as described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
March 27, 2023



**Independent Auditor's Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance Required by the Uniform Guidance**

To the School Board
Sioux Falls School District 49-5
Sioux Falls, South Dakota

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Sioux Falls School District 49-5's (the School District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2022. School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Education Stabilization Fund

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Education Stabilization Fund for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

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

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

Matter Giving Rise to Qualified Opinion on Education Stabilization Fund

As described in the accompanying schedule of findings and questioned costs, the School District did not comply with requirements regarding the Education Stabilization Fund Federal Assistance Listing #84.425E and #84.425F as described in finding number 2022-002 for Reporting.

Compliance with such requirements is necessary, in our opinion, for the School District to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-003 and 2022-004. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-003 and 2022-004 to be significant deficiencies.

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

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
March 27, 2023

Sioux Falls School District 49-5
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture			
Pass-Through the SD Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	*	\$ 1,159,711
Cash Assistance:			
School Breakfast Program	10.553	*	2,689,575
COVID - 19 National School Lunch Program			
(Emergency Operating Reimbursement)	10.555	*	437,411
National School Lunch Program	10.555	*	12,497,529
Summer Food Service Program for Children	10.559	*	239,153
Cash Assistance Total:			<u>15,863,668</u>
Fresh Fruit and Vegetable Program	10.582	*	<u>509,324</u>
Total for Child Nutrition Cluster			<u>17,532,703</u>
Child and Adult Care Food Program	10.558	*	11,595
Total U.S. Department of Agriculture			<u>17,544,298</u>
U.S. Department of Defense			
Pass-Through the SD Department of Military and			
Veterans' Affairs:			
National Guard ChalleNGe Program - Starbased Program	12.404	*	<u>19,742</u>
U.S. Department of the Interior			
Indian Education Assistance to Schools - Johnson O'Malley	15.130	N/A	<u>12,785</u>
Federal Communications Commission			
COVID-19 - Emergency Connectivity Fund	32.009	N/A	<u>1,674,635</u>
National Endowment for the Arts			
Pass-Through the SD Department of Education:			
Promotion of the Arts - Partnership Agreement	45.025	*	1,402
Institute of Museum and Library Services - Grants to States	45.310	*	<u>96,935</u>
Total National Endowment for the Arts			<u>98,337</u>
Department of Veterans Affairs			
Post- 9/11 Veterans Educational Assistance	64.028	N/A	<u>2,784</u>
U.S. Department of Education			
Direct Federal Funding:			
Student Financial Aid - Cluster:			
Federal Pell Grant Program	84.063	N/A	3,167,651
Federal Workstudy Program	84.033	N/A	50,482
FSEOG Program	84.007	N/A	97,220
Direct Loan Program	84.268	N/A	7,908,080
Total Student Financial Aid Cluster			<u>11,223,433</u>

Sioux Falls School District 49-5
Schedule of Expenditures of Federal Awards
June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education (continued)			
Indian Education - Grants to Local Educational Agencies	84.060	N/A	357,049
Education Stabilization Fund			
Direct Award:			
COVID-19 - Higher Education Emergency Relief Fund Student Portion	84.425E	N/A	2,518,438
COVID-19 - Higher Education Emergency Relief Fund Institutional Portion	84.425F	N/A	2,113,287
Passed through the SD Department of Education:			
COVID-19 - Elementary & Secondary Emergency Relief Fund (ESSER I & II)	84.425D	S425D210050	10,298,225
COVID-19 - American Rescue Plan - Elementary & Secondary Emergency Relief Fund (ARP ESSER)	84.425U	S425U210050	14,524,321
Total ESSER			24,822,546
COVID-19 - Governor's Emergency Education Relief Fund (GEER)	84.425C	*	12,000
COVID-19 - American Rescue Plan – Elementary and Secondary School Emergency Relief – Homeless Children and Youth	84.425W	S425W210043	149,270
Total Education Stabilization Fund			29,615,541
Pass-Through SD Department of Labor:			
Adult Education - Basic Grants to States	84.002	*	218,368
Pass-Through the SD Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A200041	6,103,777
Migrant Education - State Grant Program	84.011	S011A200042	492,277
Career and Technical Education - Basic Grants to States	84.048	V048A200041	1,083,678
Rehabilitation Services - Vocational Rehabilitation Grant	84.126	*	57,654
Special Education - Grants for Infants and Families	84.181	*	474
Education for Homeless Children and Youth	84.196	S196A200043	159,916
Title III, English Language Acquisition State Grants	84.365	S367A200039	408,014
Improving Teacher Quality State Grants	84.367	S367A200039	1,183,852
School Improvements Grants	84.377	S377A150042	5,430
Title IV - A	84.424	S524A200043	478,847
Special Education Cluster:			
Special Education - Grants to States	84.027	H027A200091	4,910,908
Special Education - Grants to States	84.027	S010A200041	9,457
COVID-19 - Special Education - Grants to States	84.027	*	1,478,993
Special Education - Preschool Grants	84.173	H17A200091	139,099
COVID -19 - Special Education - Preschool Grants	84.173	*	30,731
Total for Special Education Cluster			6,569,188
Total U.S. Department of Education			57,957,498

Sioux Falls School District 49-5
Schedule of Expenditures of Federal Awards
June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services			
Direct Federal Funding:			
Head Start Cluster:			
Head Start	93.600	N/A	3,237,503
Pass-Through the SD Department of Education:			
Substance Abuse and Mental Health Services	93.243	H79SM080962	87,376
Pass-Through Lutheran Social Services:			
Refugee and Entrant Assistance Discretionary Grants	93.576	2101SDRSOC	47,603
Pass-Through University of South Dakota/Board of Regents:			
Substance Abuse and Mental Health Services Administration	93.982	*	4,000
Pass-Through the SD Department of Health and Human Services:			
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	*	24,750
Child Care and Development Block Grant	93.575	*	1,399,293
Total U.S. Department of Health and Human Services			4,800,525
Total Federal Financial Assistance			\$ 82,110,604

* Pass-through identifying numbers were not provided.

Note 1—Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Sioux Falls School District 49-5 (the School District) under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of the School District.

Note 2— Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3—Indirect Cost Rate

The School District has not elected to use the 10% *de minimus* cost rate.

Note 4 — Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2022, the School District had food commodities totaling \$44,630 in inventory.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	
Food Service Fund and Business Type Activities	Qualified
All Other Opinion Units	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	
Child Nutrition Cluster	Unmodified
Head Start Cluster	Unmodified
Education Stabilization Fund	Qualified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	Yes

Identification of major programs:

<u>Name of Federal Program</u>	<u>Federal Financial Assistance Listing</u>
Child Nutrition Cluster	
School Breakfast Program	10.553
Summer Food Service Program for Children	10.559
National School Lunch Program	10.555
Fresh Fruit and Vegetable Program	10.582
Head Start Cluster	
Head Start	93.600
Education Stabilization Fund	
COVID-19 - Governor’s Emergency Education Relief Fund (GEER)	84.425C
COVID-19 Elementary & Secondary Emergency Relief Fund (ESSER)	84.425D
COVID-19 - Higher Education Emergency Relief Fund (HEERF) - Student	84.425E
COVID-19 - Higher Education Emergency Relief Fund (HEERF) - Institutional	84.425F
COVID-19 Elementary & Secondary Emergency Relief Fund (ARP ESSER)	84.425U
COVID-19 - American Rescue Plan – Elementary and Secondary School Emergency Relief – Homeless Children and Youth	84.425W
Dollar threshold used to distinguish between type A and type B programs:	\$2,463,318
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2022-001 Audit Adjustments and Passed Audit Adjustments Material Weakness

Criteria: The School District's internal control structure should be designed to provide for the preparation of and recording and processing of all entries material to the financial statements being audited in accordance with generally accepted accounting principles.

Condition: During our audit procedures, we identified certain misstatements brought to the attention of and corrected by management. We also identified certain misstatements, deemed to be immaterial individually and in the aggregate to the financial statements as a whole, that were passed on for adjustment by management.

Cause: The School District's internal controls did not identify and detect the misstatements noted during our audit, resulting in proposed audit adjustments and identified passed audit adjustments.

Effect: The presence of identified audit adjustments and passed audit adjustments may affect the condition of financial information throughout the year being used by management in analysis and decision making and increase the risk that potential misstatements remain present in the financial statements.

Recommendation: We recommend management perform a thorough review of the account balances in each fund to ensure all necessary adjustments are reflected in the financial statements in accordance with generally accepted accounting principles.

Views of Responsible Officials: The only material adjusting entry was for the accrual of Emergency Connectivity Fund revenue of \$1,674,635. This was a federal award of which the finance office was unaware, and for which the timing of receiving the money was not fully known until later.

Other smaller entries resulted from: 1) controls in place but a small piece just missed; 2) entry actually identified and provided by the District, but confusion over whether the entry needed to be done or not based on conflicting inventory observation counts; 3) two other small oversights.

We do not believe this rises to the level of a Material Weakness in Internal Control.

Section III – Federal Award Findings and Questioned Costs

**2022-002 Department of Education
Education Stabilization Fund: Higher Education Emergency Relief Find (HEERF)
Federal Financial Assistance Listing 84.425E Student Aid Portion
Award Number P425E204074, Award Years 2020 and 2021
Federal Financial Assistance Listing 84.425F Institutional Portion
Award Number P425F202657, Award Years 2020 and 2021**

Reporting

Material Weakness in Internal Controls over Compliance and Material Non-Compliance

Criteria: CRRSSA section 314 (e) and CARES Act 18004 (e), sets forth the criteria for reporting requirements.

Condition: The required quarterly public reports were not posted to the School District's website for the institutional portion or the student aid portion.

Cause: Inadequate controls implemented to ensure compliance with HEERF reporting requirements.

Effect: The errors in reporting resulted in reporting dates outside of the required reporting timeframe.

Questioned Costs: None.

Context/Sampling: All quarterly reports that were required to be completed were tested.

Repeat Finding from Prior Year(s): Yes, Finding 2021-002.

Recommendation: We recommend that a tracking schedule is made by Southeast Technical College which is monitored to ensure the requirements, including deadlines, for reporting are met in the timeframe allowed under the grant agreements.

Views of Responsible Officials: Management agrees with the finding.

2022-003 Department of Education
Education Stabilization Fund: Higher Education Emergency Relief Fund (HEERF)
Federal Financial Assistance Listing 84.425F Institutional Portion
Award Number P425F202657, Award Years 2020 and 2021

Department Of Agriculture
Passed Through the South Dakota Department of Education
Child Nutrition Cluster (CNC)
Federal Financial Assistance Listing 10.553 School Breakfast Program (SBP)
Federal Financial Assistance Listing 10.555 National School Lunch Program (NSLP)
Federal Financial Assistance Listing 10.559 Summer Food Service Program For Children (SFSP)

2021-2022 Award Year
Procurement, Suspension and Debarment
Significant Deficiency in Internal Controls over Compliance and Non-Compliance

Criteria: 2 CFR section 200.214, sets forth the criteria for suspension and debarment requirements.

Condition: For one vendor paid with HEERF funding and one vendor paid from CNC funding, there was no documentation to support that the School District had verified that the vendors were not suspended or debarred prior to purchases.

Cause: Vendors are not being checked for suspension and debarment consistently prior to covered transactions when large purchases are made through the School District's voucher process rather than the purchase order process.

Effect: These errors could result in payment to suspended or debarred vendors.

Questioned Costs: None.

Context/Sampling: For HEERF, one of the 3 tested vendors did not have documented suspension and debarment verification with a total population of 4 vendors. For the Child Nutrition Cluster testing, one of the 7 tested vendors did not have documented suspension and debarment verification with a total population of 55 vendors.

Repeat Finding from Prior Year(s): Yes, Finding 2021-005.

Recommendation: We recommend that all purchases with amounts expected to go over \$25,000 be vetted through the School District's purchase order process to ensure proper procurement, suspension, and debarment policies are adequately followed for covered transactions.

Views of Responsible Officials: Management agrees with the finding regarding HEERF. For the Child Nutrition Cluster, this particular vendor was not expected to go over \$25,000 and was used for emergency purchases that did not go over \$25,000 until the last purchase in June, 2022.

**2022-004 Department of Education
Education Stabilization Fund: Higher Education Emergency Relief Fund (HEERF)
Federal Financial Assistance Listing 84.425F Institutional Portion
Award Number P425F202657, Award Years 2020 and 2021**

**Procurement, Suspension and Debarment
Significant Deficiency in Internal Controls over Compliance and Non-Compliance**

Criteria: 2 CFR section 200.318, sets forth the criteria for procurement requirements.

Condition: For one vendor paid with HEERF funding, the the School District did not maintain documentation to support they obtained sufficient quotes for purchase of software.

Cause: Purchases are not consistently going through the procurement process per the School District's procurement policy or Uniform Guidance when large purchases are made through the School District's voucher process rather than the purchase order process.

Effect: As a result, the School District is not in compliance with 2 CRF section 200.318 procurement requirements.

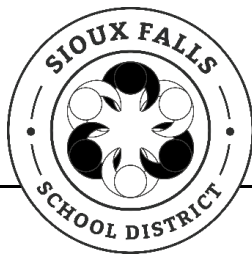
Questioned Costs: None.

Context/Sampling: One of the 3 tested vendors did not have necessary documentation to support whether proper procurement policies were followed. The population for vendors meeting requirements for procurement was 7.

Repeat Finding from Prior Year(s): Yes, Finding 2021-004.

Recommendation: We recommend that all large purchases are vetted through the School District's purchase order process to ensure proper procurement, suspension, and debarment policies are adequately followed for covered transactions.

Views of Responsible Officials: Management agrees with the finding.



Instructional Planning Center

201 East Thirty-eighth Street
Sioux Falls, South Dakota 57105-5898
(605) 367-7900

Kate Serenbetz, President
Carly R. Reiter, Vice President
Nan Baker, Member
Cynthia Mickelson, Member
Mark Murren, Member

Dr. Jane Stavem, Superintendent

Summary Schedule of Prior Audit Findings

Financial Statement

Identifying Number: 2021-001: Controls over Accounts Payable

Initial Fiscal Year Finding Occurred: 2021

Finding Summary: Audit adjustments to the District's financial statements were required to properly report accounts payable and the related expenditures. In addition, an uncorrected misstatement was identified related to accounts payable and expenditures.

Status of finding: Resolved

Single Audit

Identifying Number: 2021-002

Initial Fiscal Year Finding Occurred: 2021

Finding Summary: Southeast Technical College did not timely post the required Quarterly Public Reporting for Institutional Portion reports or the Quarterly Public Reporting for Student Aid Portion reports.

Status of finding: Ongoing, repeat as finding 2022-002

Identifying Number: 2021-003

Initial Fiscal Year Finding Occurred: 2021

Finding Summary: Payroll charges for one of the 12 tested employees charged to the ESSER Program were not supported by the required payroll documentation for amounts charged to federal awards, such as semi-annual certifications or monthly personnel activity reports.

Status of finding: Resolved

Identifying Number: 2021-004

Initial Fiscal Year Finding Occurred: 2021

Finding Summary: For one expenditure transaction selected for testing, procurement documentation was not available to support that the required number of quotes were obtained, as required by Uniform Guidance §200.318 and §200.320 and the District's procurement policy.

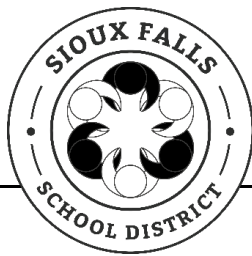
Status of finding: Ongoing, repeat as finding 2022-004

Identifying Number: 2021-005

Initial Fiscal Year Finding Occurred: 2021

Finding Summary: For three vendors with expenditures charged to the Education Stabilization Fund program, documentation was not available to support that the District had verified that these vendors were not suspended or debarred.

Status of finding: Ongoing, repeat as finding 2022-003



Instructional Planning Center

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Cynthia Mickelson, Member
Mark Murren, Member

Dr. Jane Stavem, Superintendent

CORRECTIVE ACTION PLAN YEAR ENDED 6/30/22

Identifying Number: 2022-001: Audit Adjustments and Passed Audit Adjustments

Finding: Certain misstatements were identified and brought to the attention of and corrected by management. Also, certain misstatements deemed to be immaterial were passed on for adjustment.

Corrective Action Taken or Planned:

The only material adjusting entry was for the accrual of Emergency Connectivity Fund revenue of \$1,674,635. This was a federal award of which the finance office was unaware, and for which the timing of receiving the money was not fully known until later.

Other smaller entries resulted from: 1) controls in place but a small piece just missed; 2) entry actually identified and provided by the District, but confusion over whether the entry needed to be done or not based on conflicting inventory observation counts; 3) two other small oversights.

Controls are in place and generally operating as designed. The Finance Office will continue to communicate with other departments to identify federal awards. It was recommended that management perform a thorough review of the account balances in each fund to ensure all necessary adjustments are reflected in the financial statements. This review is done every year; however, oversights can periodically occur.

Contact person: Kenneth W Mosser, Comptroller

Status of finding – Communication and account balance reviews will continue.

CORRECTIVE ACTION PLAN YEAR ENDED 6/30/22 (Continued)

Identifying Number: 2022-002: U.S. Department of Education: Education Stabilization Fund: Student Aid Portion – 84.425E; Institutional Portion – 84.425F

Finding: The required quarterly public reports were not posted to the District's website for the student aid portion or the institutional portion.

Corrective Action Taken or Planned:

This relates to the reporting requirements of funds received under the Coronavirus Aid, Relief, and Economic Security Act (CARES), the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA), and the American Rescue Plan (ARP) legislation, more commonly referred to as Higher Education Emergency Relief Funds I, II, and III. The legislation included reporting requirements for both the Institutional portion and Student Aid portions of the federal awards.

Institutional reports are to be filed with the US Department of Education (USDOE) on forms prescribed by the Department indicating expenditures in eligible categories for the covered quarter. A standardized reporting document was not established for the Student Aid Distributions; however, distribution amounts, determination methodologies, and eligibility requirements are to be reported in a conspicuous location on the Institute of Higher Education's website.

Institutional reports have been completed. The required expenditure information was reported on the quarterly report associated with the actual draw down of the federal funds from the USDOE grants management system (G5) and not when the actual expenditures were incurred. The basis for reporting the expenditures in this manner was derived from an incorrect interpretation of a Technical Assistance Webinar related to Quarterly Reporting requirements and guidance contained in correspondence received from the USDOE Program Contact.

The Student Aid portion of the federal award has been distributed in multiple awards corresponding to specific periods of student enrollment (i.e., Spring 2020, Fall 2020, Spring 2021, Fall 2021, Spring 2022). Reporting for the Spring 2020 and Fall 2020 distribution periods have been posted to Southeast Technical College's website for the Spring/Fall 2020 distribution.

Additional corrective actions will include the College compiling the Student Award information for the remaining distributions for publication on the website as required under the various HEERF guidelines and legislation. Reporting deadlines will be confirmed and posted to staff calendars to ensure timely review and filing of all reports. Future reports will be posted on a timely basis following supervisory review by the Vice President of Finance and Operations, Southeast Technical College.

Contact person: Rich Kluin, Vice President – Finance and Operations, Southeast Technical College

Status of finding – The above corrective actions will be implemented beginning April 1, 2023.

CORRECTIVE ACTION PLAN YEAR ENDED 6/30/22 (Continued)

Identifying Number: 2022-003: U.S. Department of Education: Education Stabilization Fund: Student Aid Portion – 84.425E (HEERF); U.S. Department of Agriculture: Child Nutrition Cluster – 10.553, 10.555, and 10.559 (CNC)

Finding: For one vendor paid with HEERF funding and one vendor paid from CNC funding, there was no documentation to support that the District had verified that the vendors were not suspended or debarred prior to purchases.

Corrective Action Taken or Planned:

This relates to the Entity Exclusion (Suspension/Debarment) list maintained on the federal SAM.GOV website. Access to the website and specifically the Entity search functions is limited to authorized/registered users.

The corrective action plan for HEERF will include the designation of a Southeast Technical College employee with SAM.GOV access that will be the initial point of contact for vendor exclusion information for all Southeast Technical College employees. Additionally, the designated employee will periodically download, and post debarment lists to the Southeast Technical College internal website (myTech) that will be available to all employees purchasing goods/services that would be charged to federal programs.

Additional corrective actions will include a review of existing Southeast Technical College procurement policies contained within Section D: Fiscal Management. Policies will be reviewed/revised to expand and reflect current federal procurement requirements under 2CRF200. Revised policies, debarment lists, and training will be provided to all employees on a periodic and ongoing basis.

For the Child Nutrition Cluster, this particular vendor was not expected to go over \$25,000 and was used for emergency purchases that did not go over \$25,000 until the last purchase in June, 2022. It was recommended that all purchases with amounts expected to go over \$25,000 be vetted through the District's purchase order process. Since this vendor was not expected to go over \$25,000, it did not go through the purchase order process. The District will continue to use the purchase order process for vendors expected to go over \$25,000 to ensure debarment requirements are being followed.

Contact person: HEERF: Rich Kluin, Vice President – Finance and Operations, Southeast Technical College.
CNC: Gay Anderson, Child Nutrition Supervisor.

Status of finding – HEERF procedures will continue to be followed. The CNC procedures will continue to be followed.

CORRECTIVE ACTION PLAN YEAR ENDED 6/30/22 (Continued)

Identifying Number: 2022-004: U.S. Department of Education: Education Stabilization Fund: Institutional Portion – 84.425F (HEERF)

Finding: For one vendor paid with HEERF funding, the District did not maintain documentation to support they obtained sufficient quotes for purchase of software.

Corrective Action Taken or Planned:

STC will utilize and vet purchases in excess of \$25,000 through the District's purchase order process. Utilization of this process will ensure that quotes are obtained prior to purchase commitments.

Contact person: Rich Kluin, Vice President – Finance and Operations, Southeast Technical College

Status of finding – The corrective action will be implemented on April 1, 2023.