

Tea Area School District No. 41-5

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

**For the Year Ended
June 30, 2023**

Tea Area School District No. 41-5

School District Officials

June 30, 2023

Board Members

Kristin Daggett ----- Board President

Conrad Pick -----Vice President

Jason Bennett----- Member

Chad Meyer ----- Member

Jay Ryan ----- Member

Dr. Jennifer Lowery-----Superintendent

Christine Esping -----Business Manager

Tea Area School District No. 41-5

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

School Board
Tea Area School District No. 41-5
Lincoln County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Tea Area School District No. 41-5, South Dakota, as of June 30, 2023 and for the year then ended, 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 13, 2024, which was qualified because long-term financial obligations and commitments related to other postemployment benefits was not recorded.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tea Area School District's financial statements are free of 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*.

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 Tea Area School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Handwritten signature in cursive script that reads "CLO Prof LLC".

Elk Point, South Dakota
March 13, 2024



**Independent Auditor’s Report on Compliance for each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

School Board
Tea Area School District No. 41-5
Lincoln County, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Tea Area School District No. 41-5’s, South Dakota compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Tea Area School District’s major federal programs for the year ended June 30, 2023. Tea Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Prior and Current Audit Findings and Questioned Costs.

In our opinion, the Tea Area School District No. 41-5 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the School District and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for 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.

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

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

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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 purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

A handwritten signature in cursive script that reads "CLO Prof LLC".

Elk Point, South Dakota
March 13, 2024

Tea Area School District No. 41-5
 Schedule of Prior and Current Audit Findings and Questioned Costs
 Year Ended June 30, 2023

Schedule of Prior Audit Findings

The prior audit report contained no written audit comments.

Schedule of Current Audit Findings

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified on business-type activities, capital outlay, special education, bond redemption, and capital projects funds, and food service and other enterprise funds. Qualified on governmental activities and general governmental fund and aggregate remaining fund information for not implementing GASB 75.

Internal control over financial reporting:

Material weakness(es) identified:	_____	Yes	_____	None reported
			<u>X</u>	
Significant deficiencies identified that are not considered to be material weakness(es)?	_____	Yes	_____	None reported
			<u>X</u>	
Noncompliance material to financial statements noted?	_____	Yes	_____	No
			<u>X</u>	

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?	_____	Yes	_____	None reported
			<u>X</u>	
Significant deficiencies identified that are not considered to be material weakness(es)?	_____	Yes	_____	None reported
			<u>X</u>	

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.156(a).	_____	Yes	_____	No
			<u>X</u>	

Identification of Major Programs:

ALN Number(s)	Name of Federal Program or Cluster
10.553 & 10.555	Child Nutrition Cluster
84.027 & 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs:		\$	750,000	
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Auditee qualified as low-risk auditee?	_____	Yes	_____	No
			<u>X</u>	

Section II - Financial Statement Findings

There are no findings which are required to be reported in accordance with Government Auditing Standards.

Section III - Federal Award Findings and Questioned Costs

There are no finding or questioned costs relating to federal award programs which are required to be reported in accordance with 2 CFR 200.156(a).



Independent Auditor's Report

School Board
Tea Area School District No. 41-5
Lincoln County, South Dakota

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Tea Area School District No. 41-5, Lincoln County, South Dakota, as of June 30, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise Tea Area School District's basic financial statements as listed in the table of contents.

In our opinion, except for the matters 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 respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Tea Area School District No. 41-5, South Dakota as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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. 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 audit opinions.

The School District has elected not to record the long-term financial obligations and commitments related to other postemployment benefits (OPEB) in the governmental activities Statement of Net Position. Accounting principles generally accepted in the United States of America require OPEB costs to be recognized and reported in a systematic, accrual-basis measurement over a period that approximates employees' years of service, which would most likely increase long-term liabilities and expenditures and decrease net position in the governmental activities Statement of Net Position. Accounting principles generally accepted in the United States of America also require information to be provided about actuarial accrued liabilities associated with OPEB and whether, and to what extent, progress is being made in funding the plan. The amount by which this departure would affect the liabilities, net position and expenditures of the governmental activities is not reasonably determinable.

Responsibilities of Management for the Financial Statements

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tea Area School District’s basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated march 13, 2024 on our consideration of the School District’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.



Elk Point, South Dakota
March 13, 2024

Tea Area School District No. 41-5
Management Discussion and Analysis (MD&A)
June 30, 2023

This section of Tea Area School District 41-5's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2023. Please read it in conjunction with the School's financial statements, which follow this section.

Financial Highlights

- The General Fund reported a \$157,839 increase in fund balance.
- The Capital Outlay Fund reported a decrease of \$557,395 due to an increase in construction in progress and long-term debt.
- The School retired \$980,000 in General Obligation Bonds principal debt, \$715,000 in Capital Outlay Certificate principal debt, \$95,545 in notes payable, \$153,168 in direct borrowing notes, and \$262,635 in lease principal debt for a debt retired total of \$2,206,348.

Overview of the Financial Statements

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School'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 School operates like businesses. The only proprietary funds operated by the School is the Food Service Operation.
 - Fiduciary fund statements provide information about the financial relationships – like scholarship plans for graduating students – in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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.

Tea Area School District No. 41-5
Management Discussion and Analysis (MD&A)
June 30, 2023

Figure A-1 summarizes the major features of the School’s financial statements, including the portion of the School government covered and the types of information contained. The reminder of the overview section of the management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of Tea Area School District's Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School government (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs	Activities the School operates similar to private businesses, the food service and after school programs.	Instances in which the School is the trustee or 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 Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Changes in 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 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 School's 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 payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Tea Area School District No. 41-5
Management Discussion and Analysis (MD&A)
June 30, 2023

Government-Wide Statements

The government-wide statements report information about the School 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. 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 School's net position and how they have changed. Net position – the difference between the School's assets and liabilities – is one way to measure the School's financial health or position.

- Increases or decreases in the School's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional nonfinancial factors such as changes in the School'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 School are reported in two categories:

- **Governmental Activities** – This category includes the School'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 School charges a fee to students to help cover the costs of providing hot lunch services to all students. The Food Service Fund and the Other Enterprise Fund are the business-type activity funds of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds – not the School as a whole. Funds are accounting devices that the School 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 the Scholarship Trust).

Tea Area School District No. 41-5
Management Discussion and Analysis (MD&A)
June 30, 2023

The School has three kinds of funds:

- **Governmental Funds** – Most of the School’s basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the 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 School’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund’s statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the School charges customers a fee is generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service Enterprise Fund (one type of proprietary fund) is the same as its business-type activities, but provides more detail and additional information such as cash flows. We use the Other Enterprise Fund (the other kind of proprietary fund) to report activities that provide services to the School’s other programs and activities.
- **Fiduciary Funds** – The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School’s fiduciary activities are reported in a separate statement of net position and a statement of changes in net position. We exclude these activities from the School’s government-wide financial statements because the School cannot use these assets to finance its operations.

Tea Area School District No. 41-5
Management Discussion and Analysis (MD&A)
June 30, 2023

Financial Analysis of the School as a Whole

Net Position

The School's combined net position increased as follows:

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2022	2023	2022	2023	2022	2023	2022-2023
Current and Other Assets	\$ 15,816,780	\$ 53,789,313	\$ 843,868	\$ 866,042	\$ 16,660,648	\$ 54,655,355	228.05%
Capital Assets (Net of Depreciation)	55,962,779	58,922,858	346,954	313,940	56,309,733	59,236,798	5.20%
Total Assets	<u>71,779,559</u>	<u>112,712,171</u>	<u>1,190,822</u>	<u>1,179,982</u>	<u>72,970,381</u>	<u>113,892,153</u>	<u>56.08%</u>
Pension Related Deferred Outflows	4,982,511	4,665,571	--	--	4,982,511	4,665,571	-6.36%
Total Deferred Outflows or Resources	<u>4,982,511</u>	<u>4,665,571</u>	<u>--</u>	<u>--</u>	<u>4,982,511</u>	<u>4,665,571</u>	<u>-6.36%</u>
Long-Term Liabilities Outstanding	49,801,533	90,074,176	41,534	32,804	49,843,067	90,106,980	80.78%
Other Liabilities	1,821,284	2,752,273	101,669	97,822	1,922,953	2,850,095	48.21%
Total Liabilities	<u>51,622,817</u>	<u>92,826,449</u>	<u>143,203</u>	<u>130,626</u>	<u>51,766,020</u>	<u>92,957,075</u>	<u>79.57%</u>
Taxes Levied for Future Period	4,279,491	5,997,436	--	--	4,279,491	5,997,436	40.14%
Pension Related Deferred Inflows	7,036,590	2,768,302	--	--	7,036,590	2,768,302	-60.66%
Total Deferred Inflows of Resources	<u>11,316,081</u>	<u>8,765,738</u>	<u>--</u>	<u>--</u>	<u>11,316,081</u>	<u>8,765,738</u>	<u>-22.54%</u>
Net Investment in Capital Assets	6,161,246	7,645,816	305,420	281,136	6,466,666	7,926,952	22.58%
Restricted	5,105,443	5,402,062	--	--	5,105,443	5,402,062	5.81%
Unrestricted	2,556,483	2,737,677	742,199	768,220	3,298,682	3,505,897	6.28%
Total Net Position	<u>13,823,172</u>	<u>15,785,555</u>	<u>1,047,619</u>	<u>1,049,356</u>	<u>14,870,791</u>	<u>16,834,911</u>	<u>13.21%</u>
Beginning Net Position	<u>10,778,123</u>	<u>13,823,172</u>	<u>673,475</u>	<u>1,047,619</u>	<u>11,451,598</u>	<u>14,870,791</u>	<u>29.86%</u>
Increase (Decrease) in Net Position	<u>\$ 3,045,049</u>	<u>\$ 1,962,383</u>	<u>\$ 374,144</u>	<u>\$ 1,737</u>	<u>\$ 3,419,193</u>	<u>\$ 1,964,120</u>	<u>42.56%</u>
Percentage of Increase (Decrease) in Net Position	<u>28.25%</u>	<u>14.20%</u>	<u>55.55%</u>	<u>0.17%</u>	<u>29.86%</u>	<u>13.21%</u>	

The Statement of Net Position reports all financial and capital resources. The statement presents the assets, deferred outflows of resources, liabilities and deferred inflows of resources in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the School, consisting of bonds payable, capital outlay certificates, capital lease purchase payables, and compensated absences payable have been reported in this manner on the Statement of Net Position. The difference between the School's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is its net position.

Tea Area School District No. 41-5
Management Discussion and Analysis (MD&A)
June 30, 2023

Changes in Net Position

The Tea Area School District’s total revenues (excluding transfers) in FY23 were \$29,782,058. Approximately 36% of the School’s revenue comes from property and other taxes, with approximately 47% coming from state aid. (See Table A-2).

Table A-2
Tea Area School District 41-5
Sources of Revenues
Fiscal Year 2022-2023

Taxes	\$ 10,646,611	35.75%
State Sources	14,007,030	47.03%
Operating Grants & Contributions	2,227,124	7.48%
Charges For Services	1,796,489	6.03%
Other General Revenues	453,838	1.52%
Unrestricted Investment Earnings	<u>650,966</u>	<u>2.19%</u>
Total Revenue	<u>\$ 29,782,058</u>	<u>100.00%</u>

The Tea Area School District expenses totaled \$27,817,938. The School’s expenses cover a range of services, encompassing instruction, support services, interest on long term debt, co-curricular activities, food services, and driver’s education. (See Table A-3).

Table A-3
Tea Area School District 41-5
Statement of Expenditures
Fiscal Year 2022-2023

Instruction	\$ 12,320,667	44.28%
Support Services	9,273,519	33.34%
Interest - on Long-Term Debt	2,862,588	10.29%
Cocurricular Activities	1,428,769	5.14%
Food Service	1,430,093	5.14%
Nonprogrammed Charges	1,450	0.01%
Drivers Education	<u>500,852</u>	<u>1.80%</u>
Total Expenditures	<u>\$ 27,817,938</u>	<u>100.00%</u>

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Governmental and Business-Type Activities

Table A-4 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the School:

Table A-4

	Government Activities		Business-type Activities		Total		Total Percentage Change
	2022	2023	2022	2023	2022	2023	
	Revenues						
Program Revenues							
Charge for Services	\$ 1,183,857	\$ 470,682	\$ 624,877	\$ 1,325,807	\$ 1,808,734	\$ 1,796,489	-0.68%
Operating Grants/ Contributions	1,295,426	1,622,749	1,554,108	604,375	2,849,534	2,227,124	-21.84%
General Revenues							
Taxes	8,905,613	10,646,611	--	--	8,905,613	10,646,611	19.55%
Revenue State Sources	12,556,402	14,007,030	--	--	12,556,402	14,007,030	11.55%
Other							
Other general revenues	221,946	451,338	--	2,500	221,946	453,838	104.48%
Unrestricted Investment Earnings	24,329	650,966	--	--	24,329	650,966	2575.68%
	<u>24,187,573</u>	<u>27,849,376</u>	<u>2,178,985</u>	<u>1,932,682</u>	<u>26,366,558</u>	<u>29,782,058</u>	<u>12.95%</u>
Expenses							
Instruction	10,881,915	12,320,667	--	--	10,881,915	12,320,667	13.22%
Support Services	7,748,864	9,273,519	--	--	7,748,864	9,273,519	19.68%
Non-programmed Charges	--	1,450	--	--	--	1,450	100.00%
Interest on long-term debt	1,657,065	2,862,588	--	--	1,657,065	2,862,588	72.75%
Co-curricular Activities	854,680	1,428,769	--	--	854,680	1,428,769	67.17%
Food Service	--	--	1,348,975	1,430,093	1,348,975	1,430,093	6.01%
Other Enterprise	--	--	455,867	500,852	455,867	500,852	9.87%
	<u>21,142,524</u>	<u>25,886,993</u>	<u>1,804,842</u>	<u>1,930,945</u>	<u>22,947,366</u>	<u>27,817,938</u>	<u>21.22%</u>
Increase (Decrease) in Net Position	3,045,049	1,962,383	374,143	1,737	3,419,192	1,964,120	-42.56%
Beginning Net Position	<u>10,778,123</u>	<u>13,823,172</u>	<u>673,476</u>	<u>1,047,619</u>	<u>11,451,599</u>	<u>14,870,791</u>	<u>29.86%</u>
Ending Net Position	<u>\$ 13,823,172</u>	<u>\$ 15,785,555</u>	<u>\$ 1,047,619</u>	<u>\$ 1,049,356</u>	<u>\$ 14,870,791</u>	<u>\$ 16,834,911</u>	<u>13.21%</u>

Tea Area School District No. 41-5
Management Discussion and Analysis (MD&A)
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Governmental Activities

The increase in governmental activities was due to an increase in taxes, receiving more in state revenues this year, and an increase in other general revenues and unrestricted investment earnings.

Business-Type Activities

Revenues of the School's business-type activities decreased due to receiving less operating grants/contributions.

Financial Analysis of the School's Funds

Fund balances changed from the previous years as follows: General Fund increased \$157,839 as a result of revenues exceeding expenditures. Capital Outlay Fund decreased by \$557,395 due to an increase in construction work in process and long term debt. Special Education Fund decreased \$356,553 as a result of expenditures exceeding revenues.

General Fund Budgetary Highlights

Over the course of the year, the School Board revised the School budget several times. These amendments fall into three categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this School.
- Increases in appropriations to prevent budget overruns in the general fund, primarily by contingency transfer, to prevent budget overruns.

There were budget changes for the year due to needing additional funding for general operating expenses in the General Fund.

Tea Area School District No. 41-5
Management Discussion and Analysis (MD&A)
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Capital Asset Administration

By the end of 2023, the School had invested \$59,236,796 (net of depreciation) in a broad range of capital assets including: land, construction in process, buildings, various machinery, equipment, leases, and library books. This amount represents a net increase (including additions and deductions) of \$2,927,063 (See Table A-5).

Table A-5
 Capital Assets
 (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2022	2023	2022	2023		
Land	\$ 2,134,986	\$ 2,134,986	\$ --	\$ --	\$ --	0.00%
Construction in progress	2,292,446	2,742,916	--	--	450,470	19.65%
Buildings & Improvements	50,170,576	52,075,943	180,656	180,656	1,905,367	3.78%
Machinery & Equipment	1,054,060	1,270,488	166,298	133,282	183,412	15.03%
Intangible Lease Assets	304,700	698,525	--	--	393,825	129.25%
Library Books	6,011	--	--	--	(6,011)	-100.00%
Total Capital Assets	\$ 55,962,779	\$ 58,922,858	\$ 346,954	\$ 313,938	\$ 2,927,063	5.20%

This year's capital asset purchases were primarily used to continue to purchase a new HVAC system, two busses, a Toolcat, improvements for the band room, expand the high school, and build a greenhouse.

Long-Term Debt

At year-end, the School had \$90,106,980 in general long-term obligations. This balance includes General Obligation Bonds, Capital Outlay Certificates, Intangible Leases, Direct Borrowings, and Promissory Notes. See individual balances as shown on Table A-6 below:

Table A-6
 Outstanding Debt and Obligations

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2022	2023	2022	2023		
General Obligation Bonds	\$ 33,035,000	\$ 71,055,000	\$ --	\$ --	\$ 38,020,000	115.09%
Plus: Unamortized Premiums	--	2,827,355	--	--	2,827,355	100.00%
Capital Outlay Certificates	15,965,000	15,250,000	--	--	(715,000)	-4.48%
Intangible Lease Liabilities	304,700	693,701	--	--	389,001	127.67%
Direct Borrowings	310,880	157,712	41,534	32,804	(161,898)	-45.94%
Promissory Notes	185,953	90,408	--	--	(95,545)	-51.38%
Total Outstanding Debt	\$ 49,801,533	\$ 90,074,176	\$ 41,534	\$ 32,804	\$ 40,263,913	80.85%

Tea Area School District No. 41-5
Management Discussion and Analysis (MD&A)
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Economic Factors and Next Year's Budgets and Rates

One of the primary sources of revenue to the School District is funding from the State of South Dakota. The state aid funding formula changed in FY17 from a per pupil allocation to a funding formula based on enrollment and target teacher compensation. The change in the funding formula resulted in the School District receiving a significant increase in funding. The State's goal with the funding formula change was to increase teacher compensation, which the District will have to maintain moving forward. The School District enrollment is projected to continue increasing at a steady pace in future years. Property valuations are expected to continue to increase due to significant housing and commercial development growth in Tea and Sioux Falls.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Tea Area School District's Business Office, 131 N. Poplar Ave, Tea, SD 57064.

Tea Area School District No. 41-5
Statement of Net Position – Government-Wide
June 30, 2023

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 44,870,787	\$ 803,310	\$ 45,674,097
Due From Other Fund	248,567	--	248,567
Taxes receivable	6,074,874	--	6,074,874
Inventories	--	10,228	10,228
Other assets	2,053,345	52,504	2,105,849
Restricted Assets:			
Cash and cash equivalents	495,141	--	495,141
Net pension asset	46,599	--	46,599
Capital assets:			
Land and construction in progress	4,877,902	--	4,877,902
Other capital assets, net of depreciation	54,044,956	313,940	54,358,896
Total Assets	112,712,171	1,179,982	113,892,153
Deferred Outflows of Resources:			
Pension-related deferred outflows	4,665,571	--	4,665,571
Total Deferred Outflows of Resources	4,665,571	--	4,665,571
Liabilities:			
Unearned revenue	--	53,369	53,369
Other current liabilities	2,752,273	44,453	2,796,726
Long-term liabilities:			
Due within one year	2,269,491	9,041	2,278,532
Due in more than one year	87,804,685	23,763	87,828,448
Total Liabilities	92,826,449	130,626	92,957,075
Deferred Inflows of Resources:			
Taxes levied for future periods	5,997,436	--	5,997,436
Pension related deferred inflows	2,768,302	--	2,768,302
Total Deferred Inflows of Resources	8,765,738	--	8,765,738
Net Position:			
Net investment in capital assets	7,645,816	281,136	7,926,952
Restricted for:			
Capital outlay	223,877	--	223,877
Special education	433,173	--	433,173
Debt service	2,801,144	--	2,801,144
SDRS pension purposes	1,943,868	--	1,943,868
Unrestricted	2,737,677	768,220	3,505,897
Total Net Position	\$ 15,785,555	\$ 1,049,356	\$ 16,834,911

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

Tea Area School District No. 41-5
Statement of Activities – Government-Wide
June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instruction	\$ 12,320,667	\$ --	\$ 1,622,749	\$ (10,697,918)	\$ --	\$ (10,697,918)
Support services	9,273,519	281,792	--	(8,991,727)	--	(8,991,727)
Nonprogrammed Charges	1,450	--	--	(1,450)	--	(1,450)
Interest on long-term debt	2,862,588	--	--	(2,862,588)	--	(2,862,588)
Cocurricular activities	1,428,769	188,890	--	(1,239,879)	--	(1,239,879)
Total Governmental Activities	25,886,993	470,682	1,622,749	(23,793,562)	--	(23,793,562)
Business-Type Activities:						
Food service	1,430,093	840,362	553,124	--	(36,607)	(36,607)
Other enterprise	500,852	485,445	51,251	--	35,844	35,844
Total Business Type Activities	1,930,945	1,325,807	604,375	--	(763)	(763)
Total Primary Government	\$ 27,817,938	\$ 1,796,489	\$ 2,227,124	(23,793,562)	(763)	(23,794,325)
General Revenues:						
Taxes:						
Property taxes						
				10,506,066	--	10,506,066
Gross receipts taxes						
				140,545	--	140,545
Revenue from State Sources:						
State aid						
				11,756,162	--	11,756,162
Other						
				2,250,868	--	2,250,868
Unrestricted investment earnings						
				650,966	--	650,966
Other general revenues						
				451,338	2,500	453,838
Total General Revenues and Transfers				25,755,945	2,500	25,758,445
Change in Net Position				1,962,383	1,737	1,964,120
Net Position - Beginning of Year				13,823,172	1,047,619	14,870,791
Net Position - End of Year				\$ 15,785,555	\$ 1,049,356	\$ 16,834,911

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

Tea Area School District No. 41-5
Balance Sheet – Governmental Funds
June 30, 2023

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption #1, #2, #3, #5, #6</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Assets:						
Cash and cash equivalents	\$ 2,954,184	\$ --	\$ 339,442	\$ 2,289,261	\$ 39,287,900	\$ 44,870,787
Cash with fiscal agent	--	--	--	495,141	--	495,141
Accounts receivable	8,397	--	--	--	--	8,397
Taxes receivable - current	2,071,460	1,549,565	577,988	1,798,423	--	5,997,436
Taxes receivable - delinquent	31,879	18,455	10,362	16,742	--	77,438
Due from other fund	248,567	--	--	--	--	248,567
Due from other governments	901,528	500,960	449,573	--	--	1,852,061
Prepaid expenses	143,993	--	48,894	--	--	192,887
Total Assets	<u>\$ 6,360,008</u>	<u>\$ 2,068,980</u>	<u>\$ 1,426,259</u>	<u>\$ 4,599,567</u>	<u>\$ 39,287,900</u>	<u>\$ 53,742,714</u>
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ 169,236	\$ 46,971	\$ 25,498	\$ --	\$ 490,766	\$ 732,471
Contracts payable	1,203,975	--	221,887	--	--	1,425,862
Due to other fund	--	248,567	--	--	--	248,567
Payroll deductions and withholding and employer matching payable	226,554	--	118,819	--	--	345,373
Total Liabilities	<u>1,599,765</u>	<u>295,538</u>	<u>366,204</u>	<u>--</u>	<u>490,766</u>	<u>2,752,273</u>
Deferred Inflows of Resources:						
Taxes levied for future period	2,071,460	1,549,565	577,988	1,798,423	--	5,997,436
Delinquent taxes not available	31,879	18,455	10,362	16,742	--	77,438
Total Deferred Inflows of Resources	<u>2,103,339</u>	<u>1,568,020</u>	<u>588,350</u>	<u>1,815,165</u>	<u>--</u>	<u>6,074,874</u>
Fund Balances:						
Nonspendable - prepaid expense	143,993	--	48,894	--	--	192,887
Restricted:						
For capital outlay	--	205,422	--	--	--	205,422
For special education	--	--	422,811	--	--	422,811
For debt service	--	--	--	2,784,402	--	2,784,402
For capital projects	--	--	--	--	38,797,134	38,797,134
Unassigned	2,512,911	--	--	--	--	2,512,911
Total Fund Balances	<u>2,656,904</u>	<u>205,422</u>	<u>471,705</u>	<u>2,784,402</u>	<u>38,797,134</u>	<u>44,915,567</u>
Total Liabilities and Fund Balances	<u>\$ 6,360,008</u>	<u>\$ 2,068,980</u>	<u>\$ 1,426,259</u>	<u>\$ 4,599,567</u>	<u>\$ 39,287,900</u>	<u>\$ 53,742,714</u>

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

Tea Area School District No. 41-5
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2023

Total Fund Balances - Governmental Funds		\$ 44,915,567
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		58,922,858
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.</p>		
Lease liabilities	(693,701)	
GO Bonds	(73,882,355)	
Direct Borrowing Notes	(157,712)	
Capital Outlay Certificates	(15,250,000)	
Promissory Notes	<u>(90,408)</u>	(90,074,176)
<p>Assets that are not available to pay for current period expenditures are deferred in the governmental funds. Assets at year end consist of:</p>		
Delinquent Property Taxes Receivable		77,438
Proportionate Share of Net Pension Asset		46,599
<p>Pension related deferred inflows are components of non current liabilities and therefore are not reported in the funds.</p>		(2,768,302)
<p>Pension related deferred outflows are components of non current assets and therefore are not reported in the funds.</p>		<u>4,665,571</u>
Net Position - Governmental Activities		<u><u>\$ 15,785,555</u></u>

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

Tea Area School District No. 41-5
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
June 30, 2023

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption #1, #2, #3, #5, #6</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues						
Revenue from Local Sources:						
Taxes:						
Ad valorem taxes	\$ 3,645,657	\$ 2,702,142	\$ 1,210,162	\$ 2,821,001	\$ --	\$ 10,378,962
Prior years' ad valorem taxes	44,027	23,956	13,444	21,929	--	103,356
Utility taxes	140,545	--	--	--	--	140,545
Earnings on Investments and Deposits	16,684	--	--	10,268	624,014	650,966
Cocurricular Activities:						
Admissions	65,816	--	--	--	--	65,816
Other	119,634	--	--	--	--	119,634
Rentals	3,440	--	--	--	--	3,440
Other Revenue from Local Sources:						
Refund of Prior Year's Expenditures	8,126	--	--	--	--	8,126
Rentals	21,250	--	--	--	--	21,250
Contributions and donations	35,855	21,822	--	--	--	57,677
Charges for services	15,843	--	24,693	--	--	40,536
Other	83,537	--	--	--	--	83,537
Revenue from Intermediate Sources:						
County Sources:						
County apportionment	50,900	--	--	--	--	50,900
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted grants-in-aid	11,756,162	--	--	--	--	11,756,162
Restricted grants-in-aid	122,202	99,244	2,026,748	--	--	2,248,194
Other state revenue	2,574	--	100	--	--	2,674
Revenue from Federal Sources:						
Grants-in-Aid:						
Restricted grants-in-aid received from federal government through the state	733,056	401,716	449,573	--	--	1,584,345
Other federal revenue	--	--	--	38,404	--	38,404
Total Revenues	\$ 16,865,308	\$ 3,248,880	\$ 3,724,720	\$ 2,891,602	\$ 624,014	\$ 27,354,524

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

Tea Area School District No. 41-5
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
June 30, 2023 (Continued)

Expenditures	General	Capital Outlay	Special Education	Bond Redemption #1, #2, #3, #5, #6	Capital Projects	Total Governmental Funds
Instructional Services:						
Regular Programs:						
Elementary	\$ 4,411,013	\$ 400	\$ --	\$ --	\$ --	\$ 4,411,413
Middle/junior high	1,969,732	60,397	--	--	--	2,030,129
High school	2,289,567	87,890	--	--	--	2,377,457
Special Programs:						
Programs for special education	--	--	2,745,994	--	--	2,745,994
Educationally deprived	63,108	--	--	--	--	63,108
Support Services:						
Students:						
Attendance and social work	7,680	--	--	--	--	7,680
Guidance	499,227	--	207,526	--	--	706,753
Psychological	--	--	140,105	--	--	140,105
Health	112,029	--	83,107	--	--	195,136
Speech pathology	--	--	367,989	--	--	367,989
Student therapy services	--	--	158,819	--	--	158,819
Orientation and mobility services	--	--	4,806	--	--	4,806
Instructional Staff:						
Improvement of instruction	694,488	--	83,709	--	--	778,197
Educational media	555,337	--	--	--	2,575	557,912
General Administration:						
Board of education	237,455	--	--	--	--	237,455
Executive administration	272,633	--	--	--	--	272,633
School Administration:						
Office of the principal	1,157,379	--	--	--	--	1,157,379
Other	1,152	--	--	--	--	1,152
Business:						
Fiscal services	389,695	--	--	--	--	389,695
Facilities acquisition and construction	--	12,604	--	--	132,323	144,927
Operation and maintenance of plant	2,364,867	204,882	--	--	--	2,569,749
Student transportation	689,409	90	--	--	--	689,499

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

Tea Area School District No. 41-5
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
June 30, 2023 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption #1, #2, #3, #5, #6</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Special Education:						
Administrative costs	--	--	199,366	--	--	199,366
Transportation costs	--	--	89,852	--	--	89,852
Nonprogrammed Charges:						
Payments to State - Unemployment	1,450	--	--	--	--	1,450
Debt Services:	--	1,754,730	--	2,918,344	395,862	5,068,936
Cocurricular Activities:						
Male activities	127,598	7,341	--	--	--	134,939
Female activities	129,729	6,293	--	--	--	136,022
Transportation	52,522	--	--	--	--	52,522
Combined activities	681,399	131,854	--	--	--	813,253
Capital Outlay	--	2,420,196	--	--	2,278,784	4,698,980
Total Expenditures	<u>16,707,469</u>	<u>4,686,677</u>	<u>4,081,273</u>	<u>2,918,344</u>	<u>2,809,544</u>	<u>31,203,307</u>
Excess of Revenue Over (Under) Expenditures	157,839	(1,437,797)	(356,553)	(26,742)	(2,185,530)	(3,848,783)
Other Financing Sources (Uses):						
Transfer in	--	--	--	844,691	--	844,691
Transfer out	--	--	--	--	(844,691)	(844,691)
General Long-Term Debt Issued	--	651,636	--	--	41,827,355	42,478,991
Sale of Surplus Property	--	30,774	--	--	--	30,774
Compensation for Loss of General Capital Assets	--	197,992	--	--	--	197,992
Total Other Financing Sources (Uses)	<u>--</u>	<u>880,402</u>	<u>--</u>	<u>844,691</u>	<u>40,982,664</u>	<u>42,707,757</u>
Net Change in Fund Balances	157,839	(557,395)	(356,553)	817,949	38,797,134	38,858,974
Fund Balance, Beginning of Year	<u>2,499,065</u>	<u>762,817</u>	<u>828,258</u>	<u>1,966,453</u>	<u>--</u>	<u>6,056,593</u>
Fund Balance, End of Year	<u>\$ 2,656,904</u>	<u>\$ 205,422</u>	<u>\$ 471,705</u>	<u>\$ 2,784,402</u>	<u>\$ 38,797,134</u>	<u>\$ 44,915,567</u>

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

Tea Area School District No. 41-5
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
 to the Statement of Activities
 June 30, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 38,858,974

Amounts reported for governmental activities in the statement of activities are different because:

This amount represents capital assets purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements. 4,698,980

The amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financials because it does not require the use of current financial resources. (1,699,447)

In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds of \$0 from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. (39,454)

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.

GO Bond	980,000	
Direct Borrowing Notes	153,168	
Promissory Notes	95,545	
Intangible Lease Liability	262,635	
CO Certificate	715,000	2,206,348

The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available." 23,748

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. (42,478,991)

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. 392,225

Change in net position of governmental activities \$ 1,962,383

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

Tea Area School District No. 41-5
Statement of Net Position – Proprietary Funds
June 30, 2023

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 573,541	\$ 229,769	\$ 803,310
Accounts receivable, net	12,805	--	12,805
Due from other government	29,818	--	29,818
Inventory - stores for resale	7,780	--	7,780
Inventory - supplies	1,072	--	1,072
Inventory of donated food	1,376	--	1,376
Prepaid Expenses	7,732	2,149	9,881
Total Current Assets	<u>634,124</u>	<u>231,918</u>	<u>866,042</u>
Noncurrent Assets:			
Buildings	--	180,656	180,656
Machinery and equipment - local funds	481,333	154,042	635,375
Less accumulated depreciation	<u>(349,653)</u>	<u>(152,438)</u>	<u>(502,091)</u>
Total Noncurrent Assets	<u>131,680</u>	<u>182,260</u>	<u>313,940</u>
Total Assets	<u>\$ 765,804</u>	<u>\$ 414,178</u>	<u>\$ 1,179,982</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 4,476	\$ 7,582	\$ 12,058
Contracts payable	--	8,017	8,017
Accrued payroll expenses	20,626	3,752	24,378
Unearned revenue	53,369	--	53,369
Total Current Liabilities	<u>78,471</u>	<u>19,351</u>	<u>97,822</u>
Noncurrent Liabilities:			
Due within one year	--	9,041	9,041
Due in more than one year	--	23,763	23,763
Total Noncurrent Liabilities	<u>--</u>	<u>32,804</u>	<u>32,804</u>
Total Liabilities	<u>78,471</u>	<u>52,155</u>	<u>130,626</u>
Net Position:			
Net investment in capital assets	131,680	149,456	281,136
Unrestricted net position	<u>555,653</u>	<u>212,567</u>	<u>768,220</u>
Total Net Position	<u>\$ 687,333</u>	<u>\$ 362,023</u>	<u>\$ 1,049,356</u>

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

Tea Area School District No. 41-5
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
June 30, 2023

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Operating Revenue:			
Tuition and Fees:			
Regular day school tuition	\$ --	\$ 92,993	\$ 92,993
Driver's education fees	--	32,450	32,450
Student transportation fees	--	10,942	10,942
After school program fees	--	349,060	349,060
Food Sales:			
Student	615,207	--	615,207
Adult	5,404	--	5,404
A la carte	201,799	--	201,799
Other	17,952	--	17,952
Total Operating Revenue	<u>840,362</u>	<u>485,445</u>	<u>1,325,807</u>
Operating Expenses:			
Food Service:			
Salaries	485,283	338,572	823,855
Employee benefits	129,093	69,885	198,978
Purchased services	41,731	21,375	63,106
Supplies	20,512	17,912	38,424
Cost of sales - purchased	608,907	18,595	627,502
Cost of sales - donated	99,970	--	99,970
Other	21,782	8,091	29,873
Depreciation	22,815	24,946	47,761
Total Operating Expenses	<u>1,430,093</u>	<u>499,376</u>	<u>1,929,469</u>
Operating Income(Loss)	<u>(589,731)</u>	<u>(13,931)</u>	<u>(603,662)</u>
Nonoperating Revenues/Expenses:			
Other local revenue	--	6,075	6,075
State grants	3,057	4,295	7,352
Federal grants	450,573	40,881	491,454
Interest Expense	--	(1,476)	(1,476)
Donated food	99,494	--	99,494
Gain (Loss) on Sale of Capital Assets	--	2,500	2,500
Total Nonoperating Revenue/ (Expenses)	<u>553,124</u>	<u>52,275</u>	<u>605,399</u>
Change in Net Position	(36,607)	38,344	1,737
Net Position - Beginning of Year	<u>723,940</u>	<u>323,679</u>	<u>1,047,619</u>
Net Position - End of Year	<u><u>\$ 687,333</u></u>	<u><u>\$ 362,023</u></u>	<u><u>\$ 1,049,356</u></u>

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

Tea Area School District No. 41-5
Statement of Cash Flows – Proprietary Funds
June 30, 2023

	Food Service Fund	Other Enterprise Fund	Totals
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 822,476	\$ 485,445	\$ 1,307,921
Cash payments to suppliers	(694,455)	(67,190)	(761,645)
Cash payments to employees	(610,662)	(409,806)	(1,020,468)
Net Cash (Used) by Operating Activities	(482,641)	8,449	(474,192)
Cash Flows from Noncapital Financing Activities:			
Other local revenue	--	6,075	6,075
Cash reimbursements - state	3,057	4,295	7,352
Cash reimbursements - federal	420,755	40,881	461,636
Net Cash Provided by Noncapital Financing Activities	423,812	51,251	475,063
Cash Flows from Capital and related Financing Activities:			
Interest paid on long term debt	--	(1,476)	(1,476)
Loss on sale of capital assets	--	2,500	2,500
Principal paid on long term debt	--	(8,730)	(8,730)
Net Cash Provided by Noncapital Financing Activities	--	(7,706)	(7,706)
Cash Flows from Investing Activities:			
Purchase of capital asset	(14,749)	--	(14,749)
Net Cash Provided by Investing Activities	(14,749)	--	(14,749)
Net Change in Cash and Cash Equivalents	(73,578)	51,994	(21,584)
Cash and Cash Equivalents, Beginning of Year	647,119	177,775	824,894
Cash and Cash Equivalents, End of Year	<u>\$ 573,541</u>	<u>\$ 229,769</u>	<u>\$ 803,310</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (589,731)	\$ (13,931)	\$ (603,662)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	22,815	24,946	47,761
Value of commodities used	99,970	--	99,970
Change in Assets and Liabilities:			
Accounts receivable	(10,151)	--	(10,151)
Inventory	1,349	--	1,349
Prepaid Expenses	(4,006)	(1,606)	(5,612)
Deferred revenue	(7,735)	--	(7,735)
Contracts payable	--	228	228
Accrued payroll expenses	3,714	(1,577)	2,137
Accounts payable	1,134	389	1,523
Net cash (used) by operating activities:	<u>\$ (482,641)</u>	<u>\$ 8,449</u>	<u>\$ (474,192)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	<u>\$ 99,494</u>	<u>\$ --</u>	<u>\$ 99,494</u>

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

Tea Area School District No. 41-5
Statement of Net Position – Fiduciary Funds
June 30, 2023

	Custodial Funds
Assets:	
Cash and cash equivalents	\$ 116,606
Accounts receivable	5,887
Total Assets	\$ 122,493
Total Liabilities	\$ --
Net Position:	
Restricted for:	
Flex account	45,664
Individuals, organizations, and other governments	76,829
Total Net Position	\$ 122,493

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

Tea Area School District No. 41-5
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2023

	Custodial Funds
Additions:	
Flex revenue	\$ 81,409
Collections for student activities	226,906
Total Additions	308,315
Deductions:	
Flex deductions	76,187
Payments for student activities	237,150
Total Deductions	313,337
Change in Net Position	(5,022)
Net Position - Beginning	127,515
Net Position - Ending	\$ 122,493

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

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies:

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

a. Reporting Entity:

The reporting entity of Tea Area School District No. 41-5, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation:

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between the governmental and business-type activities 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 for goods and services.

The Statement of Net Position reports all financial and capital resources, in a net position form (assets and deferred outflows of resources minus liabilities and deferred inflows of resources 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 each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, 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 percent 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 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the School District financial reporting entity are described below within their respective fund types:

Governmental Funds:

General Fund – A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding the 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.

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 District. This fund is financed by grants and property taxes. This is a major fund.

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

The Bond Redemption Fund #1 – A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. This is a major fund.

The Bond Redemption Fund #2 – A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. This is a major fund.

The Bond Redemption Fund #3 – A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. This is a major fund.

The Bond Redemption Fund #5 – A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. This is a major fund.

The Bond Redemption Fund #6 – A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. This is a major fund.

Proprietary Funds:

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

1. 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. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.)
2. Laws or regulations require that the activity’s costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

Other Enterprise Fund – A fund used to record financial transactions of before and after school programs and other fee-based programs. This fund is financed by surcharges. This is a major fund.

Fiduciary Funds:

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

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental funds while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Basis of Accounting:

Government-Wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental 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 does not exceed one bill-paying cycle, and for the Tea Area School District No. 41-5, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2023 are due from other governments for grants and other accounts receivable and prepaid expenditures.

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 fund types 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.

d. 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:

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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.

e. Deposits and Investments:

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

Investments when classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

f. 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 Financial Statements:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at the 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.

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP. For capital assets used in business-type activities/proprietary fund's operations, construction period interest is not capitalized in accordance with USGAAP.

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

The total June 30, 2023 balance of capital assets for governmental activities includes approximately less than 1% for which the costs were determined by estimates of the original costs. These estimated original costs were established by appraisals of deflated current replacement cost. The total June 30, 2023 balance of capital assets for business-type activities are all valued at original cost. These estimated original costs were established by deflated current replacement costs.

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

	<u>Capitalization Threshold</u>	<u>Depreciation/ Amortization Method</u>	<u>Estimated Useful Life</u>
Land*	\$ --	NA	NA
Buildings	\$ 5,000	Straight-line	50-100 years
Improvements	\$ 5,000	Straight-line	50 years
Equipment (governmental)	\$ 5,000	Straight-line	20-25 years
Equipment (proprietary funds)	\$ 1,000	Straight-line	20 years
Leases	\$ 50,000	Straight-line	Lease Term

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.

g. 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 of general obligation bonds payable, capital outlay certificates payable, direct borrowings, notes payable, premiums on bonds, and intangible leases payable.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources) and payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is the accrual basis, the same in the fund statements as it is in the government-wide statements.

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

h. Leases:

The School District is a lessee for a noncancellable lease of computers and two noncancellable leases of buses. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with initial, individual values of \$50,000 or more.

At the commencement of the lease, the School District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for the lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the School District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for the leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School District is reasonably certain to exercise.

The School District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

i. Subscription-Based Information Technology Arrangements:

The School District has not entered into subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided information technology. The School District recognizes a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements. The School District recognizes subscription liabilities with an initial, individual value of \$45,000 or more.

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

At the commencement of a subscription, the School District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to subscription include how the School District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The School District uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the School District is reasonably certain to exercise.

The School District monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position

j. 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 nonexchange 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 nonexchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

k. Deferred Inflows and Deferred Outflows of Resources:

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

l. Proprietary Funds Revenue and Expense Classifications:

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.

m. Cash and Cash Equivalents:

The School District pools its cash resources for depositing and investing purposes. Accordingly, the enterprise funds have access to their cash resources on demand. Accordingly, all reported enterprise fund deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

n. Equity Classifications:

Government-Wide Financial 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.”

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as restricted net position.

o. 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.

p. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the School District classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the School Board.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund	Taxes
Special Education Fund	Taxes

q. 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.

2. Implementation of New Accounting Standard:

In 2023, the School District implanted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription Based Information Technology Arrangements. The implementation of this standard had no effect on beginning net position.

3. 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 funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

3. Deposits and Investments, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk: (Continued)

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.

Concentrations of Credit Risk – The School District places no limit on the amount that may be invested in any one issuer. The School District does not have any investments with an external investment pool as of June 30, 2023.

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

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 investment to the General Fund, except for the Bond Redemption Funds which retains its investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Investment income was not material to any of the fund the current year.

4. Restricted Cash and Investments:

Assets restricted to use for specific purpose through segregation of balances in separate accounts are as follows:

<u>Amount:</u>	<u>Purpose:</u>
\$ 495,141	For Debt Service, by debt covenants (sinking funds required to be in a separate account)

5. Receivables and Payables:

Receivables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. No allowance has been made for estimated uncollectible amounts.

6. Inventory:

Inventory held for consumption is stated at cost.

Inventory for Resale is stated at the lower of cost or market. The cost valuation method is the first in, first out method. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

6. Inventory: (Continued)

In the government-wide financial statements and in the enterprise fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. No material inventories were on hand at June 30, 2023.

7. Property Taxes:

Property taxes are levied on or before each October 1, attach as an enforceable lien on property, and become due and payable as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the School District's taxes and remits them to the School District.

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred revenues in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

8. Changes in Capital Assets:

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

	6/30/2022	Increases	Decreases	6/30/2023
	Balance			Balance
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 2,134,986	\$ --	\$ --	\$ 2,134,986
Construction in progress	2,292,446	3,409,256	2,958,786	2,742,916
Total capital assets not being depreciated	4,427,432	3,409,256	2,958,786	4,877,902
Capital assets being depreciated/amortized:				
Buildings	56,945,814	2,958,786	63,636	59,840,964
Improvements	1,406,960	25,617	--	1,432,577
Machinery & Equipment	2,997,926	612,471	59,500	3,550,897
Intangible Assets	414,655	651,636	--	1,066,291
Library Books	410,467	--	173,253	237,214
Total capital assets being depreciated/amortized	62,175,822	4,248,510	296,389	66,127,943
Less accumulated depreciation/amortization for:				
Buildings	7,401,263	954,225	24,182	8,331,306
Improvements	780,935	85,357	--	866,292
Machinery & Equipment	1,943,866	396,043	59,500	2,280,409
Intangible Assets	109,955	257,811	--	367,766
Library Books	404,456	6,011	173,253	237,214
Total accumulated depreciation/amortization	10,640,475	1,699,447	256,935	12,082,987
Total capital assets being depreciated/amortized, net	51,535,347	2,549,063	39,454	54,044,956
Net Capital Assets	\$ 55,962,779	\$ 5,958,319	\$ 2,998,240	\$ 58,922,858

Depreciation/Amortization expense was charged to functions as follows:

Instruction	\$ 692,565
Support services	457,038
Amortization	257,811
Co-curricular activities	292,033
Total Depreciation/Amortization Expense	\$ 1,699,447

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

8. Changes in Capital Assets: (Continued)

	Balance 6/30/2022	Increases	Decreases	Balance 6/30/2023
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings	\$ 180,656	\$ --	\$ --	\$ 180,656
Equipment	620,626	14,748	--	635,374
Less accumulated depreciation for:				
Less: Accumulated Depreciation	454,328	47,764	--	502,092
Total capital assets being depreciated, net	<u>\$ 346,954</u>	<u>\$ (33,016)</u>	<u>\$ --</u>	<u>\$ 313,938</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	\$ 22,815
Other Enterprise	24,949
Total Business-type activities:	<u>\$ 47,764</u>

Construction Work in Progress at June 30, 2023 is composed of the following:

Project Name	Project Authorization	Through 6/30/2023	Committed
High School Expansion Project	\$ 44,403,209	\$ 2,442,916	\$ 41,960,293
Hillcrest Elementary School Project	1,303,000	300,000	1,003,000
Total Work in Progress	<u>\$ 45,706,209</u>	<u>\$ 2,742,916</u>	<u>\$ 42,963,293</u>

9. Short-Term Debt:

At the March 14, 2022 school board meeting, the school district renewed an agreement for a revolving line of credit promissory note with Reliabank Dakota for \$300,000, with a variable interest rate. As of June 30, 2023, no loan proceeds had been disbursed on this note.

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

10. Long-Term Liabilities:

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

	<u>6/30/2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2023</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 33,035,000	\$ 39,000,000	\$ 980,000	\$ 71,055,000	\$ 1,005,000
Plus: Unamortized Premiums	--	2,827,355	--	2,827,355	113,094
Capital Outlay Certificates	<u>15,965,000</u>	<u>--</u>	<u>715,000</u>	<u>15,250,000</u>	<u>725,000</u>
	49,000,000	41,827,355	1,695,000	89,132,355	1,843,094
Other Liabilities:					
Promissory Notes	185,953		95,545	90,408	90,408
Direct Borrowing Notes	310,880	--	153,168	157,712	86,489
Lease Liabilities	304,700	651,636	262,635	693,701	249,500
Total Long-Term Liabilities	<u>\$ 49,801,533</u>	<u>\$ 42,478,991</u>	<u>\$ 2,206,348</u>	<u>\$ 90,074,176</u>	<u>\$ 2,269,491</u>
Business-Type Activities:					
Direct Borrowing Notes	\$ 41,534	\$ --	\$ 8,730	\$ 32,804	\$ 9,041
Total Long-Term Liabilities	<u>\$ 41,534</u>	<u>\$ --</u>	<u>\$ 8,730</u>	<u>\$ 32,804</u>	<u>\$ 9,041</u>

Governmental Activities

Liabilities payable at June 30, 2023 are comprised of the following:

Tea Area School District No 41-5 General Obligation Bank Qualified Bonds, Series 2015	During April 2015, the School District entered into an agreement to receive General Obligation Qualified Term Bonds in the amount of \$5,200,000. There is a varying interest rate of 3.625% to 4% assessed on these bonds beginning in 2034. Annual interest payments of \$202,113 will be paid until 2034. Final payment is January 2040. The Bond Redemption Fund #3 makes payment on this debt.	\$ 5,200,000
Tea Area School District No 41-5 General Obligation Bonds, Series 2016	During February 2016, the School District entered into an agreement to receive General Obligation Bonds in the amount of \$9,505,000. There is a varying interest rate from .7 to 2.45% assessed on these bonds. Final payment is January 2029. The Bond Redemption Fund #1 makes payment on this debt.	\$ 4,810,000

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

10. Long-Term Liabilities: (Continued)

Tea Area School District No 41-5 General Obligation QSCB Bonds, Series 2010	During December 2010, the School District entered into an agreement to receive General Obligation QSCB Bonds in the amount of \$750,000. There is an interest rate of 5.8% assessed on these bonds. Final balloon payment is January 2029. The Bond Redemption Fund #2 makes payment on this debt.	\$ 750,000
Tea Area School District No 41-5 General Obligation Bonds, Series 2017	During November, 2017, the School District entered into an agreement to receive General Obligation Bonds in the amount of \$9,560,000. There is a varying interest rate from 3 to 4% assessed on these bonds. Final payment is August 2043. The Bond Redemption Fund #5 makes payment on this debt.	\$ 9,560,000
Tea Area School District No 41-5 General Obligation Bonds, Series 2018	During February, 2018, the School District entered into an agreement to receive General Obligation Bonds in the amount of \$3,000,000. There is an interest rate of 3% assessed on these bonds. Final payment is August 2033. The Bond Redemption Fund #2 makes payment on this debt.	\$ 2,195,000
Tea Area School District No 41-5 General Obligation Bonds, Series 2019	During January, 2019, the School District entered into an agreement to receive General Obligation Bonds in the amount of \$4,150,000. There is a varying interest rate of 3.9 to 4% assessed on these bonds. Final payment is August 2042. The Bond Redemption Fund #5 makes payment on this debt.	\$ 4,150,000
Tea Area School District No 41-5 General Obligation Bonds, Series 2019	During October, 2019, the School District entered into an agreement to receive General Obligation Bonds in the amount of \$5,595,000. There is a varying interest rate of 1.25 to 3% assessed on these bonds. Final payment is January 2033. The Bond Redemption Fund #2 makes payment on this debt.	\$ 5,390,000
Tea Area School District No 41-5 General Obligation Bonds, Series 2022A	During February, 2023, the School District entered into an agreement to receive General Obligation Bonds in the amount of \$30,740,000. There is a varying interest rate of 1.25 to 3% assessed on these bonds. Final payment is June 2048. The Bond Redemption Fund #6 makes payment on this debt.	\$ 30,740,000

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

10. Long-Term Liabilities: (Continued)

Tea Area School District No 41-5 General Obligation Bonds, Series 2022B	During February, 2023, the School District entered into an agreement to receive General Obligation Bonds in the amount of \$8,260,000. There is a varying interest rate of 1.25 to 3% assessed on these bonds. Final payment is June 2048. The Bond Redemption Fund #6 makes payment on this debt.	\$ 8,260,000
Tea Area School District No 41-5 Capital Outlay Certificates, Series 2015	During June 2015, the School District entered into an agreement to receive Capital Outlay Certificates in the amount of \$1,890,000. There is a varying interest rate from 1.3 to 4% assessed on these bonds. Final payment is January 2035. The Capital Outlay Fund makes payment on this debt.	\$ 1,035,000
Tea Area School District No 41-5 Capital Outlay Certificates, Series 2014	During August 2014, the School District entered into an agreement to receive Capital Outlay Certificates in the amount of \$5,200,000. There is a varying interest rate from .7 to 4.25% assessed on these bonds. Final payment is January 2034. The Capital Outlay Fund makes payment on this debt.	\$ 4,320,000
Tea Area School District No 41-5 Capital Outlay Certificates, Series 2012	During October 2012, the School District entered into an agreement to receive Capital Outlay Certificates in the amount of \$2,540,000. There is a varying interest rate from .45 to 2.75% assessed on these bonds. Final payment is January 2032. The Capital Outlay Fund makes payment on this debt.	\$ 1,330,000
Tea Area School District No 41-5 Capital Outlay Certificates, Series 2021	During June 2021, the School District entered into an agreement to receive Capital Outlay Certificates in the amount of \$2,960,000. There is an interest rate of 2% assessed on these bonds. Final payment is August 2040. The Capital Outlay Fund makes payment on this debt.	\$ 2,830,000
Tea Area School District No 41-5 Capital Outlay Certificates, Series 2018	During November 2018, the School District entered into an agreement to receive Capital Outlay Certificates in the amount of \$6,010,000. There is a varying interest rate of 2.25 to 4% assessed on these bonds. Final payment is August 2038. The Capital Outlay Fund makes payment on this debt.	\$ 5,735,000
Tea Area School District No 41-5 Promissory Note	The School District entered into an agreement to purchase land in the amount of \$700,000 during 2014. There is no interest rate assessed on this note. Final payment is Fall of 2023. The Capital Outlay Fund makes payment on this debt.	\$ 70,000

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

10. Long-Term Liabilities: (Continued)

Tea Area School District No 41-5 Promissory Note	During August, 2015, the School District entered into an agreement with Reliabank, South Dakota, to purchase a scoreboard for \$145,000. There is an interest rate of 3.35% assessed on this note. Final payment is August, 2023. The Capital Outlay Fund makes payment on this debt.	\$	20,408
Tea Area School District No 41-5 Direct Borrowing Note	During July, 2020, the School District entered into an agreement with Horizon Financial to lease a bus in the amount of \$45,000. There is an interest rate of 3.669% assessed on this lease. Final payment is July 2023. The Capital Outlay Fund makes payment on this debt.	\$	11,466
Tea Area School District No 41-5 Direct Borrowing Note	During August, 2020, the School District entered into an agreement with Horizon Financial to lease a bus in the amount of \$27,760. There is an interest rate of 3.847% assessed on this lease. Final payment is July 2023. The Capital Outlay Fund makes payment on this debt.	\$	7,061
Tea Area School District No 41-5 Direct Borrowing Note	During May, 2019, the School District entered into an agreement with Horizon Financial to lease 4 buses in the amount of \$399,600. There is an interest rate of 4.8% assessed on this lease. Final payment is May 2024. The Capital Outlay Fund makes payment on this debt.	\$	139,185
Tea Area School District No 41-5 Intangible Lease	During July, 2021, the School District entered into an agreement with Marco to lease copiers in the amount of \$107,083. There is no interest rate assessed on this lease. Final payment is June 2026. The General Fund makes payment on this debt.	\$	64,249
Tea Area School District No 41-5 Intangible Lease	During October, 2022, the School District entered into an agreement with HP Tech to lease technology services in the amount of \$5,117. There is an interest rate of 2% assessed on this lease. Final payment is October 2025. The Capital Outlay Fund makes payment on this debt.	\$	3,729

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

10. Long-Term Liabilities: (Continued)

Tea Area School District No 41-5 Intangible Lease	During October, 2022, the School District entered into an agreement with HP Tech to lease computers in the amount of \$258,407. There is an interest rate of 2% assessed on this lease. Final payment is October 2025. The Capital Outlay Fund makes payment on this debt.	\$	189,542
Tea Area School District No 41-5 Intangible Lease	During January, 2023, the School District entered into an agreement with Stock Growers to lease 77 pass buses in the amount of \$215,392. There is an interest rate of 3.95% assessed on this lease. Final payment is January 2028. The Capital Outlay Fund makes payment on this debt.	\$	175,929
Tea Area School District No 41-5 Intangible Lease	During July, 2021, The School District entered into an agreement to lease computers in the amount of \$15,298. There is an interest rate of 7.02% assessed on this lease. Final payment is July 2023. The Capital Outlay Fund makes payment on this debt.	\$	5,211
Tea Area School District No 41-5 Intangible Lease	During November, 2021, The School District entered into an agreement to lease computers in the amount of \$206,485. There is an interest rate of 3.93% assessed on this lease. Final payment is July 2023. The Capital Outlay Fund makes payment on this debt.	\$	68,794
Tea Area School District No 41-5 Intangible Lease	During November, 2021, The School District entered into an agreement to lease a bus in the amount of \$192,872. There is an interest rate of 1.35% assessed on this lease. Final payment is November 2026. The Capital Outlay Fund makes payment on this debt.	\$	128,562
Tea Area School District No 41-5 Intangible Lease	During July, 2022, The School District entered into an agreement to lease a iPads in the amount of \$87,054. There is an interest rate of 5.51% assessed on this lease. Final payment is November 2026. The Capital Outlay Fund makes payment on this debt.	\$	57,685

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

10. Long-Term Liabilities: (Continued)

Business-Type Activities

Liabilities payable at June 30, 2023 are comprised of the following:

Tea Area School District No 41-5 Direct Borrowing Note	During August, 2020, the School District entered into an agreement with Horizon Financial to lease a bus in the amount of \$60,200. There is an interest rate of 3.593% assessed on this lease. Final payment is July 2023. The Other Enterprise Fund makes payment on this debt.	\$ 32,804
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The annual debt service requirements to maturity for all debt outstanding at June 30, 2023, are as follows:

Governmental Activities

**Year Ending
June 30,**

	General Obligation Bonds		Capital Outlay Certificates		Intangible Liabilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 1,118,094	\$ 2,927,743	\$ 725,000	\$ 505,630	\$ 249,500	\$ 22,732
2025	1,128,094	2,902,242	750,000	485,868	180,771	13,687
2026	1,183,094	2,875,717	765,000	464,858	156,156	8,208
2027	1,248,094	2,846,892	790,000	442,828	69,311	3,385
2028	1,318,094	2,816,937	815,000	419,621	37,963	1,500
2029-2033	9,120,470	13,316,759	4,455,000	1,717,118	--	--
2034-2038	11,750,470	11,777,034	5,380,000	788,753	--	--
2039-2043	20,205,470	8,525,420	1,570,000	36,950	--	--
2044-2048	26,810,475	3,323,906	--	--	--	--
Totals	\$ 73,882,355	\$ 51,312,650	\$ 15,250,000	\$ 4,861,626	\$ 693,701	\$ 49,512

	Promissory Notes		Direct Borrowing Notes		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 90,408	\$ 693	\$ 86,489	\$ 7,374	\$ 2,269,491	\$ 3,464,172
2025	--	--	71,223	3,419	2,130,088	3,405,216
2026	--	--	--	--	2,104,250	3,348,783
2027	--	--	--	--	2,107,405	3,293,105
2028	--	--	--	--	2,171,057	3,238,058
2029-2033	--	--	--	--	13,575,470	15,033,877
2034-2038	--	--	--	--	17,130,470	12,565,787
2039-2043	--	--	--	--	21,775,470	8,562,370
2044-2048	--	--	--	--	26,810,475	3,323,906
Totals	\$ 90,408	\$ 693	\$ 157,712	\$ 10,793	\$ 90,074,176	\$ 56,235,274

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

10. Long-Term Liabilities: (Continued)

Business-Type Activities

	Direct Borrowing Notes	
	Principal	Interest
2024	\$ 9,041	\$ 1,165
2025	9,362	844
2026	14,401	512
Totals	\$ 32,804	\$ 2,521

11. Restricted Net Position:

Restricted Net Position for the year ended June 30, 2023 was as follows:

Purpose	Restricted By	Amount
Major Purposes:		
Capital Outlay	Law	\$ 223,877
Special Education	Law	433,173
Debt Service	Debt Covenant	2,801,144
SDRS Pension Purposes	Law	1,943,868
Total		\$ 5,402,062

12. Pension Plan:

Plan Information:

All employees, working more than 20 hours per week during the school 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 SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605)773-3731.

Benefits Provided:

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

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

12. Pension Plan: (Continued)

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

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 earning based on investment returns.

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

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

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

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

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

12. Pension Plan: (Continued)

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and 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. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District’s share of contributions to the SDRS for the years ended June 30, 2023, 2021 and 2020, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 816,409
2022	705,975
2021	640,330

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

At June 30, 2022, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the School District as of this measurement period ending June 30, 2023 and reported by the School District as of June 30, 2023 are as follows:

Proportionate share of net pension (asset)	\$ 69,606,932
Less proportionate share of net pension restricted for pension benefits	<u>69,653,531</u>
Proportionate share of net pension (asset)	<u>\$ (46,599)</u>

At June 30, 2023, the School District reported an (asset) of (\$46,599) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2022 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District’s share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the School District’s proportion was 0.49308500%, which is an increase of 0.0451009% from its proportion measured as of June 30, 2021.

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

12. Pension Plan: (Continued)

For the year ended June 30, 2023, the School District recognized a reduction of pension expense of \$392,225. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 887,059	\$ 3,025
Changes in assumption	2,961,730	2,595,560
Net difference between projected and actual earnings on pension plan investments	--	111,675
Changes in proportion and difference between district contributions and proportionate share of contributions	373	58,042
District contributions subsequent to the measurement date	816,409	--
Total	\$ 4,665,571	\$ 2,768,302

\$816,409 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. 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,	
2024	\$ 276,354
2025	632,994
2026	(747,874)
2027	919,386
Total	\$ 1,080,860

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Graded by years of service, 7.66% at entry to 3.15% after 25 years of service
Discount	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	2.10%

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

12. Pension Plan: (Continued)

Mortality Rates:

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

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

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

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

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

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

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

12. Pension Plan: (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	58.0%	3.7%
Fixed income	30.0%	1.1%
Real estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	<u>100.0%</u>	

Discount Rate:

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

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

The following presents the School District's proportionate share of net pension (asset) calculated using the discount rate of 6.50%, as well as what the School's proportionate share of the net pension (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>
District's proportionate share of the net pension liability (asset)	<u>\$ 9,675,984</u>	<u>\$ (46,599)</u>	<u>\$ (7,992,519)</u>

Pension Plan Fiduciary Net Position:

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

Payables to the Pension Plan:

No payables were reported to the defined benefit plan at end of year.

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

13. 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 period ended June 30, 2023, the School District managed its risks as follows:

Employee Health Insurance:

The School District purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years. Any certified teacher electing early retirement may continue participation in the District's group health and dental insurance program until the age of 65. The certified retired teacher selecting early retirement may pay 100% of the premiums.

Liability Insurance:

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

Workers' Compensation:

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 over 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, 2023, there was one claim for unemployment that was paid. This claim totaled \$1,450.06. There are no future expected claims at this time.

14. Individual Fund Interfund Balances and Transactions:

Interfund receivable and payable balances at June 30, 2023 were:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$248,567	
Capital Outlay		\$248,567

The General Fund loaned the Capital Outlay Fund money for funding temporary cash shortages. The School District plans to resolve this shortage by June 30, 2024.

Tea Area School District No. 41-5
Notes to the Financial Statements
June 30, 2023

15. Individual Fund Interfund Balances and Transactions:

Interfund transfers for the year ended June 30, 2023 were as follows:

Transfer from the the Capital Projects Fund to the Bond Redemption Fund.	\$ 844,691
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Required Supplementary Information

Tea Area School District No. 41-5

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis
June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 3,704,661	\$ 3,704,661	\$ 3,645,657	\$ (59,004)
Prior years' ad valorem taxes	50,000	50,000	44,027	(5,973)
Utility taxes	125,000	125,000	140,545	15,545
Earnings on Investments and Deposits	20,000	25,000	16,684	(8,316)
Cocurricular Activities:				
Admissions	70,000	70,000	65,816	(4,184)
Other	35,000	110,776	119,634	8,858
Rentals	4,000	4,000	3,440	(560)
Other Revenue from Local Sources:				
Rentals	10,000	10,000	21,250	11,250
Contributions and donations	5,000	27,212	35,855	8,643
Refund of Prior Years' Expenditures	--	--	8,126	8,126
Charges for services	15,000	15,000	15,843	843
Other	59,100	73,165	83,537	10,372
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	65,000	65,000	50,900	(14,100)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	11,536,265	11,658,466	11,756,162	97,696
Restricted grants-in-aid	130,000	130,000	122,202	(7,798)
Other state revenues	--	1,374	2,574	1,200
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	114,497	767,021	733,056	(33,965)
Total Revenues	<u>\$ 15,943,523</u>	<u>\$ 16,836,675</u>	<u>\$ 16,865,308</u>	<u>\$ 28,633</u>

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Tea Area School District No. 41-5

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis
June 30, 2023 (Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	\$ 4,294,509	\$ 4,419,348	\$ 4,411,013	\$ 8,335
Middle/junior high	1,902,665	2,019,567	1,969,732	49,835
High school	2,339,599	2,309,227	2,289,567	19,660
Special programs				
Educationally deprived	61,288	63,382	63,108	274
Support Services:				
Students:				
Attendance and social work	7,680	7,680	7,680	--
Guidance	442,479	461,382	499,227	(37,845)
Health	137,100	137,100	112,029	25,071
Instructional Staff:				
Improvement of instruction	289,034	781,089	694,488	86,601
Educational media	508,476	575,720	555,337	20,383
General Administration:				
Board of education	254,795	250,216	237,455	12,761
Executive administration	276,524	276,524	272,633	3,891
School Administration:				
Office of the principal	1,152,561	1,157,376	1,157,379	(3)
Other	2,500	2,500	1,152	1,348
Business:				
Fiscal services	395,484	393,797	389,695	4,102
Operation and maintenance of plant	2,542,015	2,542,015	2,364,867	177,148
Student transportation	715,152	715,152	689,409	25,743
Nonprogrammed Charges:				
Payments to State - Unemployment	--	1,451	1,450	1
Cocurricular Activities:				
Male activities	129,230	125,635	127,598	(1,963)
Female activities	142,785	132,916	129,729	3,187
Combined activities	52,450	170,251	681,399	(511,148)
Transportation	582,730	582,803	52,522	530,281
Contingencies	285,533	285,533	--	285,533
Total Expenditures	<u>16,514,589</u>	<u>17,410,664</u>	<u>16,707,469</u>	<u>703,195</u>
Net Change in Fund Balances	(571,066)	(573,989)	157,839	731,828
Fund Balance, Beginning of Year	<u>2,499,065</u>	<u>2,499,065</u>	<u>2,499,065</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 1,927,999</u>	<u>\$ 1,925,076</u>	<u>\$ 2,656,904</u>	<u>\$ 731,828</u>

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Tea Area School District No. 41-5

Required Supplementary Information – Budgetary Comparison Schedule – Capital Outlay Fund – Budgetary Basis
June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 2,725,763	\$ 2,725,763	\$ 2,702,142	\$ (23,621)
Prior years' ad valorem taxes	--	--	23,956	23,956
Other Revenue from Local Sources:				
Contributions and Donations	27,107	39,007	21,822	(17,185)
Revenue from State Sources:				
Grants-in-Aid				
Unrestricted grants-in-aid	--	99,244	99,244	--
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	--	401,716	401,716	--
Total Revenues	<u>2,752,870</u>	<u>3,265,730</u>	<u>3,248,880</u>	<u>(16,850)</u>
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	--	92,171	178,237	(86,066)
Middle/junior high	65,000	194,204	189,601	4,603
High school	93,000	227,204	217,094	10,110
Support Services:				
Business:				
Facilities acquisition and construction	360,000	1,131,116	1,168,692	(37,576)
Operation and maintenance of plant	236,000	628,149	560,018	68,131
Student transportation	72,742	482,393	465,897	16,496
Debt Services:	1,766,628	1,766,628	1,754,730	11,898
Cocurricular Activities:				
Male activities	9,000	9,000	7,341	1,659
Female activities	10,500	10,480	6,293	4,187
Combined Activities	140,000	146,920	138,774	8,146
Total Expenditures	<u>2,752,870</u>	<u>4,688,265</u>	<u>4,686,677</u>	<u>1,588</u>
Excess of Revenue Over (Under)				
Expenditures	<u>--</u>	<u>(1,422,535)</u>	<u>(1,437,797)</u>	<u>(15,262)</u>
Other Financing Sources (Uses):				
Proceeds of general long-term liabilities	--	565,970	651,636	85,666
Sale of surplus property	--	--	30,774	30,774
Compensation for Loss of General Cap Assets	--	197,992	197,992	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>763,962</u>	<u>880,402</u>	<u>116,440</u>
Net Change in Fund Balances	--	(658,573)	(557,395)	101,178
Fund Balance, Beginning of Year	<u>762,817</u>	<u>762,817</u>	<u>762,817</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 762,817</u>	<u>\$ 104,244</u>	<u>\$ 205,422</u>	<u>\$ 101,178</u>

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Tea Area School District No. 41-5
Required Supplementary Information – Budgetary Comparison
Schedule – Special Education Fund – Budgetary Basis
June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,300,627	\$ 1,300,627	\$ 1,210,162	\$ (90,465)
Prior years' ad valorem taxes	--	--	13,444	13,444
Other Revenue from Local Sources:				
Charges for services	24,000	24,000	24,693	693
Revenue from State Sources:				
Grants-in-Aid				
Restricted grants-in-aid	2,015,949	2,015,949	2,026,748	10,799
Other state revenue	--	--	100	100
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	412,404	449,573	449,573	--
Total Revenues	<u>3,752,980</u>	<u>3,790,149</u>	<u>3,724,720</u>	<u>(65,429)</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for special education	2,710,267	2,772,068	2,745,994	26,074
Support Services:				
Students:				
Guidance services	202,135	207,528	207,526	2
Health	120,461	120,461	83,107	37,354
Psychological	153,590	153,590	140,105	13,485
Speech pathology	365,659	365,659	367,989	(2,330)
Student therapy services	163,704	109,308	158,819	(49,511)
Orientation and mobility services	1,000	5,806	4,806	1,000
Instructional staff:				
Improvement of instruction	78,735	101,300	83,709	17,591
Special Education:				
Administrative costs	204,198	201,198	199,366	1,832
Transportation costs	98,022	98,022	89,852	8,170
Total Expenditures	<u>4,097,771</u>	<u>4,134,940</u>	<u>4,081,273</u>	<u>53,667</u>
Excess of Revenues Over (Under) Expenditures	<u>(344,791)</u>	<u>(344,791)</u>	<u>(356,553)</u>	<u>(11,762)</u>
Fund Balance, Beginning of Year	<u>828,258</u>	<u>828,258</u>	<u>828,258</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 483,467</u>	<u>\$ 483,467</u>	<u>\$ 471,705</u>	<u>\$ (11,762)</u>

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Tea Area School District No. 41-5
Notes to the Required Supplementary Information
June 30, 2023

1. Budgets and Budgetary Accounting:

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

- a. Prior to the first regular board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
- c. The proposed budget is published for public review no later than July 15 each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. 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.
- f. 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 Item (h).
- g. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total School 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. No amount of expenditures may be charged directly to the contingency line item in the budget.
- h. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
- i. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
- j. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
- k. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. USGAAP/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.

Tea Area School District No. 41-5

Schedule of the Proportionate Share of the Net Pension Liability (Asset) South Dakota Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.4930850%	0.4708260%	0.4479841%	0.4198147%	0.4058275%	0.3714927%	0.3460773%	0.3348384%	0.3323052%
District's proportionate share of net pension liability (asset)	\$ (46,599)	\$ (3,605,721)	\$ (19,456)	\$ (44,489)	\$ (9,465)	\$ (33,731)	\$ 1,169,015	\$ (1,420,145)	\$ (2,394,123)
District's covered-employee payroll	\$ 11,766,202	\$ 10,672,136	\$ 9,813,416	\$ 8,920,560	\$ 8,436,736	\$ 7,547,935	\$ 6,580,611	\$ 6,111,548	\$ 5,812,707
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.40%	33.79%	0.20%	0.50%	0.11%	0.45%	17.76%	23.24%	41.19%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	104.10%

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

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

Tea Area School District No. 41-5
Schedule of the School District Contributions South Dakota Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 816,409	\$ 705,975	\$ 640,330	\$ 589,968	\$ 535,236	\$ 506,206	\$ 452,878	\$ 394,840	\$ 366,792	\$ 348,666
Contributions in relation to the contractually-required contribution	<u>816,409</u>	<u>705,975</u>	<u>640,330</u>	<u>589,968</u>	<u>535,236</u>	<u>506,206</u>	<u>452,878</u>	<u>394,840</u>	<u>366,792</u>	<u>348,666</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 13,606,762	\$ 11,766,202	\$ 10,672,136	\$ 9,813,416	\$ 8,920,560	\$ 8,436,736	\$ 7,547,935	\$ 6,580,611	\$ 6,111,548	\$ 5,812,707
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.01%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

Tea Area School District No. 41-5

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions For the Year Ended June 30, 2023

Changes from Prior Valuation

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

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

Benefit Provision Changes

During the 2022 Legislative Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

Actuarial Assumption Changes

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

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

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

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

Tea Area School District No. 41-5

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions For the Year Ended June 30, 2023 (Continued)

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

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

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027 Actuarial Valuation and any recommended 7 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.

Actuarial Method Changes

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

Supplementary Information

Tea Area School District No. 41-5
Schedule of Expenditures of Federal Awards
June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>		<u>Federal Expenditures</u>
U.S. Department of Agriculture:				
Pass through the S.D Department of Education				
Child Nutrition Cluster: (Note 4)				
Non-Cash Assistance (Commodities):				
National School Lunch Program	10.555	NA	\$ 99,494	
Cash Assistance:				
School Breakfast Program (Note 3)	10.553	NA	47,136	
National School Lunch Program (Note 3)	10.555	NA	403,437	
Farm to Table Program	10.575	NA	4,809	
Total Child Nutrition Cluster				<u>554,876</u>
Total U.S. Department of Agriculture				<u>554,876</u>
National Foundation on the Arts and Humanities				
Pass Through SD Department of Tourism				
Promotion of the Arts-Partnership Agreements	45.025	NA		1,094
Total National Foundation on the Arts and Humanities				<u>1,094</u>
U.S. Department of Treasury:				
U.S. Department of Treasury - Direct Programs:				
State and Local Fiscal Recovery Funds	21.027	NA		38,404
Total U.S. Department of Treasury				<u>38,404</u>
U.S. Department of Education:				
Pass through the S.D. Department of Education:				
Title I Grants to Local Educational Agencies	84.010	NA		41,555
Career and Technical Education	84.048	NA		280
Supporting Effective Instruction State Grant	84.367	NA		79,680
Student Support and Academic Enrichment Program	84.424	NA		8,235
Cares ESSER funds	84.425D	NA	447,802	
Cares ESSER funds ARP	84.425U	NA	149,601	
Total ESSER Funds				<u>597,403</u>
Special Education Cluster: (Note 4)				
Special Education Grants to States	84.027	NA	830,653	
Special Education - Preschool Grants	84.173	NA	20,636	
Total Special Education Cluster				<u>851,289</u>
Total U.S. Department of Education				<u>1,578,442</u>
U.S. Department of Health and Human Service:				
Pass through SD Department of Human Services				
Child Care and Development Block Grant	93.575	NA		40,881
Total U.S. Department of Health and Human Services				<u>40,881</u>
Grand Total				<u><u>\$ 2,213,697</u></u>

Tea Area School District No. 41-5
Schedule of Expenditures of Federal Awards
June 30, 2023 (Continued)

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Tea Area School District No. 41-5 under programs of the federal government for the year ended . The information in this schedule 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 Tea Area School District No. 41-5, it is not intended to and does not present the financial position, changes in net position, or cash flows of Tea Area School District No. 41-5.

2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. 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. The School District has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Federal Reimbursements:

Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

4. Major Federal Financial Assistance Program:

This represents a Major Federal Financial Assistance Program.