

**Tea Area School District No. 41-5**

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

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

**Tea Area School District No. 41-5**

School District Officials

June 30, 2022

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Board Members

Kristin Daggett ----- Board President  
Conrad Pick -----Vice President  
Jason Bennett----- Member  
Tara Johanneson ----- Member  
Brett Waltner ----- Member

Dr. Jennifer Lowery-----Superintendent

Christine Esping -----Business Manager

Tea Area School District No. 41-5

Table of Contents

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	Page
<b>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 <i>Government Auditing Standards</i></b> -----	1-2
<b>Independent Auditor’s Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance</b> -----	3-5
<b>Schedule of Prior and Current Audit Findings and Questioned Costs</b> -----	6
<b>Independent Auditor's Report</b> -----	7-9
<b>Management Discussion and Analysis (MD&amp;A)</b> -----	10-19
<b>Government-Wide Financial Statements</b>	
Statement of Net Position-----	20
Statement of Activities-----	21
<b>Fund Financial Statements</b>	
Governmental Funds:	
Balance Sheet-----	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position-----	23
Statement of Revenues, Expenditures and Changes in Fund Balances-----	24-26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities-----	27
Proprietary Funds:	
Statement of Net Position-----	28
Statement of Revenues, Expenses and Changes in Net Position-----	29
Statement of Cash Flows-----	30
Fiduciary Funds:	
Statement of Net Position-----	31
Statement of Changes in Net Position-----	32
<b>Notes to the Financial Statements</b> -----	33-59
<b>Required Supplementary Information</b> -----	60
Budgetary Comparison Schedule - General Fund - Budgetary Basis-----	61-62
Budgetary Comparison Schedule - Capital Outlay Fund - Budgetary Basis-----	63
Budgetary Comparison Schedule - Special Education Fund - Budgetary Basis-----	64
Notes to the Required Supplementary Information-----	65
Schedule of the Proportionate Share of the Net Pension Liability (Asset)-----	66
Schedule of the School District Contributions-----	67
Notes to the Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions-----	68
<b>Supplementary Information</b> -----	69
Schedule of Expenditures of Federal Awards-----	70-71



**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, 2022 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 April 18, 2023 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.

A handwritten signature in cursive script that reads "CIO of LLC".

Elk Point, South Dakota  
April 18, 2023



**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, 2022. 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, 2022.

**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 and 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 "ELO Prof LLC".

Elk Point, South Dakota  
April 18, 2023



**Tea Area School District No. 41-5**  
 Schedule of Prior and Current Audit Findings and Questioned Costs  
 Year Ended June 30, 2022

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**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**

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**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

Significant deficiencies identified that are not considered to be material weakness(es)?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards:**

Internal control over major programs:

Material weakness(es) identified?  Yes  None reported

Significant deficiencies identified that are not considered to be material weakness(es)?  Yes  None reported

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

**Identification of Major Programs:**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	Child Nutrition Cluster
10.555	Child Nutrition Cluster
84.425D & 84.425U	Elementary and Secondary School Emergency Relief Fund

Dollar threshold used to distinguish

between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?  Yes  No

**Section II - Financial Statement Findings**

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

**Section III - Federal Award Findings and Questioned Costs**

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

#### Basis for 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 April 18, 2023 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  
April 18, 2023

**Tea Area School District No. 41-5**  
Management Discussion and Analysis (MD&A)  
June 30, 2022

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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, 2022. Please read it in conjunction with the School's financial statements, which follow this section.

### **Financial Highlights**

- The General Fund reported a \$441,746 increase in fund balance.
- The Capital Outlay Fund reported a decrease of \$2,208,178 due to an increase in construction in progress.
- The School retired \$975,000 in General Obligation Bonds principal debt, \$570,000 in Capital Outlay Certificate principal debt, \$96,634 in notes payable, \$255,433 in direct borrowing notes, and \$109,955 in lease principal debt for a debt retired total of \$2,007,022.

### **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, 2022

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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Changes in Net Position</li> </ul>
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, 2022

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### **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, 2022

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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, 2022**

**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
	2021	2022	2021	2022	2021	2022	2021-2022
Current and Other Assets	\$13,177,495	\$15,816,780	\$ 433,454	\$ 843,868	\$13,610,949	\$16,660,648	22.41%
Capital Assets (Net of Depreciation)	54,037,444	55,962,779	393,244	346,954	54,430,688	56,309,733	3.45%
Total Assets	67,214,939	71,779,559	826,698	1,190,822	68,041,637	72,970,381	7.24%
Pension Related Deferred Outflows	3,149,775	4,982,511	--	--	3,149,775	4,982,511	58.19%
Total Deferred Outflows or Resources	3,149,775	4,982,511	--	--	3,149,775	4,982,511	58.19%
Long-Term Liabilities Outstanding	51,393,898	49,801,533	49,994	41,534	51,443,892	49,843,067	-3.11%
Other Liabilities	1,705,668	1,821,284	103,229	101,669	1,808,897	1,922,953	6.31%
Total Liabilities	53,099,566	51,622,817	153,223	143,203	53,252,789	51,766,020	-2.79%
Taxes Levied for Future Period	3,780,715	4,279,491	--	--	3,780,715	4,279,491	13.19%
Pension Related Deferred Inflows	2,706,311	7,036,590	--	--	2,706,311	7,036,590	160.01%
Total Deferred Inflows of Resources	6,487,026	11,316,081	--	--	6,487,026	11,316,081	74.44%
Net Investment in Capital Assets	3,347,252	6,161,246	343,250	305,420	3,690,502	6,466,666	75.22%
Restricted	5,358,163	5,105,443	--	--	5,358,163	5,105,443	-4.72%
Unrestricted	2,072,708	2,556,483	330,225	742,199	2,402,933	3,298,682	37.28%
Total Net Position	10,778,123	13,823,172	673,475	1,047,619	11,451,598	14,870,791	29.86%
Beginning Net Position	9,393,047	10,778,123	763,493	673,475	10,156,540	11,451,598	12.75%
Increase (Decrease) in Net Position	\$ 1,385,076	\$ 3,045,049	\$ (90,018)	\$ 374,144	\$ 1,295,058	\$ 3,419,193	-164.02%
Percentage of Increase (Decrease) in Net Position	14.75%	28.25%	-11.79%	55.55%	12.75%	29.86%	

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, 2022

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**Changes in Net Position**

The Tea Area School District's total revenues (excluding transfers) in FY22 were \$26,366,559. Approximately 34% of the School's revenue comes from property and other taxes, with approximately 48% coming from state aid. (See Table A-2).

Table A-2  
Tea Area School District 41-5  
Sources of Revenues  
Fiscal Year 2021-2022

Taxes	\$ 8,905,613	33.78%
State Sources	12,556,402	47.62%
Operating Grants & Contributions	2,849,535	10.81%
Charges For Services	1,808,734	6.86%
Other General Revenues	221,946	0.84%
Unrestricted Investment Earnings	<u>24,329</u>	<u>0.09%</u>
<b>Total Revenue</b>	<b><u>\$ 26,366,559</u></b>	<b><u>100.00%</u></b>

The Tea Area School District expenses totaled \$22,947,346 (See Table A-4). 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 2021-2022

Instruction	\$ 10,881,915	47.42%
Support Services	7,748,864	33.77%
Interest - on Long-Term Debt	1,657,065	7.22%
Cocurricular Activities	854,680	3.72%
Food Service	1,348,975	5.88%
Drivers Education	<u>455,867</u>	<u>1.99%</u>
<b>Total Expenditures</b>	<b><u>\$ 22,947,366</u></b>	<b><u>100.00%</u></b>

**Tea Area School District No. 41-5**  
**Management Discussion and Analysis (MD&A)**  
**June 30, 2022**

**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:

	Government Activities		Business-type Activities		Total		Total Percentage Change
	2021	2022	2021	2022	2021	2022	
Revenues							
Program Revenues							
Charge for Services	\$ 125,350	\$ 1,183,857	\$ 577,168	\$ 624,877	\$ 702,518	\$ 1,808,734	157.46%
Operating Grants/ Contributions	3,649,963	1,295,426	893,974	1,554,109	4,543,937	2,849,535	-37.29%
General Revenues							
Taxes	8,128,276	8,905,613	--	--	8,128,276	8,905,613	9.56%
Revenue State Sources	9,659,677	12,556,402	--	--	9,659,677	12,556,402	29.99%
Other							
Other general revenues	248,157	221,946	--	--	248,157	221,946	-10.56%
Unrestricted Investment Earnings	14,362	24,329	--	--	14,362	24,329	69.40%
	<u>21,825,785</u>	<u>24,187,573</u>	<u>1,471,142</u>	<u>2,178,986</u>	<u>23,296,927</u>	<u>26,366,559</u>	<u>13.18%</u>
Expenses							
Instruction	11,164,518	10,881,915	--	--	11,164,518	10,881,915	-2.53%
Support Services	6,951,405	7,748,864	--	--	6,951,405	7,748,864	11.47%
Non-programmed Charges	11,938	--	--	--	11,938	--	-100.00%
Interest on long-term debt	1,570,949	1,657,065	--	--	1,570,949	1,657,065	5.48%
Co-curricular Activities	741,899	854,680	--	--	741,899	854,680	15.20%
Food Service	--	--	1,174,670	1,348,975	1,174,670	1,348,975	14.84%
Other Enterprise	--	--	386,490	455,867	386,490	455,867	17.95%
	<u>20,440,709</u>	<u>21,142,524</u>	<u>1,561,160</u>	<u>1,804,842</u>	<u>22,001,869</u>	<u>22,947,366</u>	<u>4.30%</u>
Increase (Decrease) in Net Position	1,385,076	3,045,049	(90,018)	374,144	1,295,058	3,419,193	164.02%
Beginning Net Position	<u>9,393,047</u>	<u>10,778,123</u>	<u>763,493</u>	<u>673,475</u>	<u>10,156,540</u>	<u>11,451,598</u>	<u>12.75%</u>
Ending Net Position	<u><u>\$ 10,778,123</u></u>	<u><u>\$ 13,823,172</u></u>	<u><u>\$ 673,475</u></u>	<u><u>\$ 1,047,619</u></u>	<u><u>\$ 11,451,598</u></u>	<u><u>\$ 14,870,791</u></u>	<u><u>29.86%</u></u>

**Tea Area School District No. 41-5**  
Management Discussion and Analysis (MD&A)  
June 30, 2022

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**Governmental Activities**

The increase in governmental activities was due to an increase in charges for services and receiving more in state revenues this year.

**Business-Type Activities**

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

**Financial Analysis of the School's Funds**

Fund balances changed from the previous years as follows: General Fund increased \$441,746 as a result of revenues exceeding expenditures. Capital Outlay Fund decreased by \$2,970,995 due to an increase in construction work in process. Special Education Fund increased \$159,680 as a result of revenues exceeding expenditures.

**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)  
June 30, 2022

**Capital Asset Administration**

By the end of 2022, the School had invested \$56,309,733 (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 \$2,060,100 (See Table A-5).

Table A-5  
Capital Assets  
(Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Dollar Change</u>	<u>Total % Change</u>
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>		
Land	\$ 1,781,901	\$ 2,134,986	\$ --	\$ --	\$ 353,085	19.82%
Construction in progress	--	2,292,446	--	--	2,292,446	100.00%
Buildings & Improvements	50,914,677	50,170,576	180,656	180,656	(744,101)	-1.46%
Machinery & Equipment	1,289,704	1,054,060	212,588	166,298	(281,934)	-18.77%
Intangible Lease Assets	--	304,700	--	--	304,700	100.00%
Library Books	51,162	6,011	--	--	(45,151)	-88.25%
<b>Total Capital Assets</b>	<b>\$ 54,037,444</b>	<b>\$ 55,962,779</b>	<b>\$ 393,244</b>	<b>\$ 346,954</b>	<b>\$ 1,879,045</b>	<b>3.45%</b>

This year's capital asset purchases were primarily used to continue to purchase new chain link fence, new portable bleachers, and stadium bleacher expansions, a scissor lift, 1 sander, 1 loader, a new swingset, a netting system for the DEC gym, a new enclosed trailer, added CWIP for a bus barn, band room, high school expansion, and a greenhouse and new leases for buses and technology.

**Long-Term Debt**

At year-end, the School had \$49,801,533 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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Dollar Change</u>	<u>Total % Change</u>
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>		
General Obligation Bonds	\$ 34,010,000	\$ 33,035,000	\$ --	\$ --	\$ (975,000)	-2.87%
Capital Outlay Certificates	16,535,000	15,965,000	--	--	(570,000)	-3.45%
Intangible Lease Liabilities	--	304,700	--	--	304,700	100.00%
Direct Borrowings	566,313	310,880	49,994	41,534	(246,973)	-43.61%
Promissory Notes	282,587	185,953	--	--	(96,634)	-34.20%
<b>Total Outstanding Debt</b>	<b>\$ 51,393,900</b>	<b>\$ 49,801,533</b>	<b>\$ 49,994</b>	<b>\$ 41,534</b>	<b>\$ (1,583,907)</b>	<b>-3.08%</b>

**Tea Area School District No. 41-5**  
Management Discussion and Analysis (MD&A)  
June 30, 2022

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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, 2022

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b>Assets:</b>			
Cash and cash equivalents	\$ 6,390,816	\$ 824,889	\$ 7,215,705
Taxes receivable	4,333,181	--	4,333,181
Inventories	--	12,056	12,056
Other assets	1,037,934	6,923	1,044,857
<b>Restricted Assets:</b>			
Cash and cash equivalents	449,127	--	449,127
Net pension asset	3,605,722	--	3,605,722
<b>Capital assets:</b>			
Land and construction in progress	4,427,432	--	4,427,432
Other capital assets, net of depreciati	51,535,347	346,954	51,882,301
<b>Total Assets</b>	<b>71,779,559</b>	<b>1,190,822</b>	<b>72,970,381</b>
<b>Deferred Outflows of Resources:</b>			
Pension-related deferred outflows	4,982,511	--	4,982,511
<b>Total Deferred Outflows of Resources</b>	<b>4,982,511</b>	<b>--</b>	<b>4,982,511</b>
<b>Liabilities:</b>			
Unearned revenue	--	61,104	61,104
Other current liabilities	1,821,284	40,565	1,861,849
<b>Long-term liabilities:</b>			
Due within one year	2,057,052	8,714	2,065,766
Due in more than one year	47,744,481	32,820	47,777,301
<b>Total Liabilities</b>	<b>51,622,817</b>	<b>143,203</b>	<b>51,766,020</b>
<b>Deferred Inflows of Resources:</b>			
Taxes levied for future periods	4,279,491	--	4,279,491
Pension related deferred inflows	7,036,590	--	7,036,590
<b>Total Deferred Inflows of Resources</b>	<b>11,316,081</b>	<b>--</b>	<b>11,316,081</b>
<b>Net Position:</b>			
Net investment in capital assets	6,161,246	305,420	6,466,666
<b>Restricted for:</b>			
Capital outlay	774,925	--	774,925
Special education	799,802	--	799,802
Debt service	1,979,073	--	1,979,073
SDRS pension purposes	1,551,643	--	1,551,643
Unrestricted	2,556,483	742,199	3,298,682
<b>Total Net Position</b>	<b>\$ 13,823,172</b>	<b>\$ 1,047,619</b>	<b>\$ 14,870,791</b>

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, 2022

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	
<b>Governmental Activities:</b>						
Instruction	\$ 10,881,915	\$ --	\$ 1,295,426	\$ (9,586,489)	\$ --	\$ (9,586,489)
Support services	7,748,864	1,023,078	--	(6,725,786)	--	(6,725,786)
Interest on long-term debt	1,657,065	--	--	(1,657,065)	--	(1,657,065)
Cocurricular activities	854,680	160,779	--	(693,901)	--	(693,901)
<b>Total Governmental Activities</b>	<b>21,142,524</b>	<b>1,183,857</b>	<b>1,295,426</b>	<b>(18,663,241)</b>	<b>--</b>	<b>(18,663,241)</b>
<b>Business-Type Activities:</b>						
Food service	1,348,975	221,216	1,438,682	--	310,923	310,923
Other enterprise	455,867	403,661	115,426	--	63,220	63,220
<b>Total Business Type Activities</b>	<b>1,804,842</b>	<b>624,877</b>	<b>1,554,108</b>	<b>--</b>	<b>374,143</b>	<b>374,143</b>
<b>Total Primary Government</b>	<b>\$ 22,947,366</b>	<b>\$ 1,808,734</b>	<b>\$ 2,849,534</b>	<b>(18,663,241)</b>	<b>374,143</b>	<b>(18,289,098)</b>
<b>General Revenues:</b>						
Taxes:						
				8,782,100	--	8,782,100
				123,513	--	123,513
Revenue from State Sources:						
				10,485,613	--	10,485,613
				2,070,789	--	2,070,789
				24,329	--	24,329
				221,946	--	221,946
				<b>21,708,290</b>	<b>--</b>	<b>21,708,290</b>
				Change in Net Position	374,143	3,419,192
				<b>Net Position - Beginning of Year</b>	<b>10,778,123</b>	<b>11,451,599</b>
				<b>Net Position - End of Year</b>	<b>\$ 13,823,172</b>	<b>\$ 14,870,791</b>

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, 2022

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption #1, #2, #3, #5</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ 3,238,584	\$ 544,393	\$ 1,090,514	\$ 1,517,325	\$ 6,390,816
Cash with fiscal agent	--	--	--	449,127	449,127
Accounts receivable	8,545	--	--	--	8,545
Taxes receivable - current	1,540,910	1,126,957	627,715	983,909	4,279,491
Taxes receivable - delinquent	21,959	12,108	7,003	12,620	53,690
Due from other governments	642,811	233,937	--	--	876,748
Prepaid expenses	117,182	--	35,459	--	152,641
Total Assets	<u>\$ 5,569,991</u>	<u>\$ 1,917,395</u>	<u>\$ 1,760,691</u>	<u>\$ 2,962,981</u>	<u>\$ 12,211,058</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 89,537	\$ 15,512	\$ 22,439	\$ --	\$ 127,488
Contracts payable	1,052,816	--	170,849	--	1,223,665
Payroll deductions and withholding and employer matching payable	365,704	--	104,427	--	470,131
Total Liabilities	<u>1,508,057</u>	<u>15,512</u>	<u>297,715</u>	<u>--</u>	<u>1,821,284</u>
Deferred Inflows of Resources:					
Taxes levied for future period	1,540,910	1,126,958	627,715	983,908	4,279,491
Delinquent taxes not available	21,959	12,108	7,003	12,620	53,690
Total Deferred Inflows of Resources	<u>1,562,869</u>	<u>1,139,066</u>	<u>634,718</u>	<u>996,528</u>	<u>4,333,181</u>
<b>Fund Balances:</b>					
Nonspendable	117,182	--	35,459	--	152,641
Restricted:					
For capital outlay	--	762,817	--	--	762,817
For special education	--	--	792,799	--	792,799
For debt service	--	--	--	1,966,453	1,966,453
Unassigned	2,381,883	--	--	--	2,381,883
Total Fund Balances	<u>2,499,065</u>	<u>762,817</u>	<u>828,258</u>	<u>1,966,453</u>	<u>6,056,593</u>
Total Liabilities and Fund Balances	<u>\$ 5,569,991</u>	<u>\$ 1,917,395</u>	<u>\$ 1,760,691</u>	<u>\$ 2,962,981</u>	<u>\$ 12,211,058</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, 2022

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Total Fund Balances - Governmental Funds \$ 6,056,593

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 55,962,779

Long-term liabilities are not due and payable in the current period

Intangible Lease Assets	(304,700)	
GO Bonds	(33,035,000)	
Direct Borrowing Notes	(310,880)	
Capital Outlay Certificates	(15,965,000)	
Promissory Notes	<u>(185,953)</u>	(49,801,533)

Assets that are not available to pay for current period expenditures are deferred in the governmental funds. Assets at year end consist of:

Delinquent Property Taxes Receivable 53,690

Proportionate Share of Net Pension Asset 3,605,722

Pension related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (7,036,590)

Pension related deferred outflows are components of non current assets and therefore are not reported in the funds. 4,982,511

Net Position - Governmental Activities \$ 13,823,172

**Tea Area School District No. 41-5**

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

June 30, 2022

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption #1, #2, #3, #5</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 3,095,128	\$ 2,231,825	\$ 1,247,832	\$ 2,086,842	\$ 8,661,627
Prior years' ad valorem taxes	86,007	37,216	21,891	47,200	192,314
Utility taxes	123,513	--	--	--	123,513
Earnings on Investments and Deposits	22,628	--	--	1,701	24,329
Cocurricular Activities:					
Admissions	57,089	--	--	--	57,089
Other	100,613	--	--	--	100,613
Rentals	3,077	--	--	--	3,077
Other Revenue from Local Sources:					
Rentals	10,400	--	--	--	10,400
Contributions and donations	9,047	25,722	--	--	34,769
Charges for services	17,428	--	18,862	--	36,290
Other	74,105	--	2,500	--	76,605
Revenue from Intermediate Sources:					
County Sources:					
County apportionment	64,517	--	--	--	64,517
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid	10,485,613	--	--	--	10,485,613
Restricted grants-in-aid	1,705	--	2,066,759	--	2,068,464
Other state revenue	1,950	--	375	--	2,325
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted grants-in-aid received from federal government through the state	795,526	233,937	214,807	--	1,244,270
Other federal revenue	--	--	--	51,156	51,156
<b>Total Revenues</b>	<u>\$ 14,948,346</u>	<u>\$ 2,528,700</u>	<u>\$ 3,573,026</u>	<u>\$ 2,186,899</u>	<u>\$ 23,236,971</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, 2022 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption #1, #2, #3, #5</u>	<u>Total Governmental Funds</u>
<b><u>Expenditures</u></b>					
Instructional Services:					
Regular Programs:					
Elementary	\$ 4,002,654	\$ 11,136	\$ --	\$ --	\$ 4,013,790
Middle/junior high	1,622,072	23,382	--	--	1,645,454
High school	2,158,174	138,681	--	--	2,296,855
Special Programs:					
Programs for special education	--	--	2,295,810	--	2,295,810
Educationally deprived	122,192	--	--	--	122,192
Support Services:					
Students:					
Attendance and social work	9,218	--	--	--	9,218
Guidance	305,955	--	32,840	--	338,795
Psychological	--	--	139,844	--	139,844
Health	118,533	--	99,321	--	217,854
Speech pathology	--	--	292,667	--	292,667
Student therapy services	--	--	147,116	--	147,116
Orientation and mobility services	--	--	377	--	377
Instructional Staff:					
Improvement of instruction	592,092	--	65,917	--	658,009
Educational media	474,097	--	--	--	474,097
General Administration:					
Board of education	231,082	--	--	--	231,082
Executive administration	326,237	--	--	--	326,237
School Administration:					
Office of the principal	1,011,430	--	--	--	1,011,430
Other	1,640	--	--	--	1,640
Business:					
Fiscal services	291,734	--	--	--	291,734
Operation and maintenance of plant	2,052,335	26,095	--	--	2,078,430
Student transportation	593,949	--	--	--	593,949

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, 2022 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption #1, #2, #3, #5</u>	<u>Total Governmental Funds</u>
Special Education:					
Administrative costs	--	--	216,153	--	216,153
Transportation costs	--	--	104,443	--	104,443
Other special education costs	--	--	166	--	166
Debt Services:	--	1,575,712	--	2,088,375	3,664,087
Cocurricular Activities:					
Male activities	97,043	--	--	--	97,043
Female activities	71,828	5,637	--	--	77,465
Transportation	24,726	--	--	--	24,726
Combined activities	376,737	8,354	--	--	385,091
Capital Outlay	22,872	2,950,888	--	--	2,973,760
Total Expenditures	<u>14,506,600</u>	<u>4,739,885</u>	<u>3,394,654</u>	<u>2,088,375</u>	<u>24,729,514</u>
Excess of Revenue Over (Under) Expenditures	441,746	(2,211,185)	178,372	98,524	(1,492,543)
<b>Other Financing Sources (Uses):</b>					
Sale of Surplus Property	--	3,007	--	--	3,007
Total Other Financing Sources (Uses)	<u>--</u>	<u>3,007</u>	<u>--</u>	<u>--</u>	<u>3,007</u>
Net Change in Fund Balances	441,746	(2,208,178)	178,372	98,524	(1,489,536)
<b>Fund Balance, Beginning of Year</b>	<u>2,057,319</u>	<u>2,970,995</u>	<u>649,886</u>	<u>1,867,929</u>	<u>7,546,129</u>
<b>Fund Balance, End of Year</b>	<u>\$ 2,499,065</u>	<u>\$ 762,817</u>	<u>\$ 828,258</u>	<u>\$ 1,966,453</u>	<u>\$ 6,056,593</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, 2022

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Net Change in Fund Balances - Total Governmental Funds \$ (1,489,536)

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. 2,973,760

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. (1,459,438)

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. (14,314)

Payment of principal on long-term debt is an expenditure in the

GO Bond	975,000	
Direct Borrowing Notes	255,433	
Promissory Notes	96,634	
Intangible Lease Liability	109,955	
CO Certificate	<u>570,000</u>	2,007,022

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." (71,841)

Donated capital assets are not reported in the governmental funds, but are  
shown as contributions in the governmental activities. 10,672

Changes in the pension related deferred outflows/inflows are direct  
components of pension liability (asset) and are not reflected in the  
governmental funds. 1,088,724

Change in net position of governmental activities \$ 3,045,049

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, 2022

	<b>Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>Other Enterprise Fund</b>	<b>Totals</b>
<b>Assets:</b>			
Current Assets:			
Cash and cash equivalents	\$ 647,116	\$ 177,773	\$ 824,889
Accounts receivable, net	2,654	--	2,654
Inventory - stores for resale	9,146	--	9,146
Inventory - supplies	1,058	--	1,058
Inventory of donated food	1,852	--	1,852
Prepaid Expenses	3,726	543	4,269
Total Current Assets	<u>665,552</u>	<u>178,316</u>	<u>843,868</u>
Noncurrent Assets:			
Buildings	--	180,656	180,656
Machinery and equipment - local funds	466,584	154,042	620,626
Less accumulated depreciation	<u>(326,838)</u>	<u>(127,490)</u>	<u>(454,328)</u>
Total Noncurrent Assets	<u>139,746</u>	<u>207,208</u>	<u>346,954</u>
<b>Total Assets</b>	<u><u>\$ 805,298</u></u>	<u><u>\$ 385,524</u></u>	<u><u>\$ 1,190,822</u></u>
<b>Liabilities:</b>			
Current Liabilities:			
Accounts Payable	\$ 3,342	\$ 7,193	\$ 10,535
Contracts payable	--	7,789	7,789
Accrued payroll expenses	16,912	5,329	22,241
Unearned revenue	61,104	--	61,104
Total Current Liabilities	<u>81,358</u>	<u>20,311</u>	<u>101,669</u>
Noncurrent Liabilities:			
Due within one year	--	8,714	8,714
Due in more than one year	--	32,820	32,820
Total Noncurrent Liabilities	<u>--</u>	<u>41,534</u>	<u>41,534</u>
Total Liabilities	<u>81,358</u>	<u>61,845</u>	<u>143,203</u>
<b>Net Position:</b>			
Net investment in capital assets	139,746	165,674	305,420
Unrestricted net position	<u>584,194</u>	<u>158,005</u>	<u>742,199</u>
<b>Total Net Position</b>	<u><u>\$ 723,940</u></u>	<u><u>\$ 323,679</u></u>	<u><u>\$ 1,047,619</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, Expenses and Changes in Net Position – Proprietary Funds  
June 30, 2022

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Food Service Fund</b>	<b>Other Enterprise Fund</b>	
<b>Operating Revenue:</b>			
Tuition and Fees:			
Regular day school tuition	\$ --	\$ 90,808	\$ 90,808
Driver's education fees	--	24,480	24,480
Student transportation fees	--	7,700	7,700
After school program fees	--	280,673	280,673
Food Sales:			
Student	50,779	--	50,779
Adult	4,418	--	4,418
A la carte	159,096	--	159,096
Other	6,923	--	6,923
Total Operating Revenue	<u>221,216</u>	<u>403,661</u>	<u>624,877</u>
<b>Operating Expenses:</b>			
Salaries	448,952	303,848	752,800
Employee benefits	116,582	74,428	191,010
Purchased services	29,326	22,368	51,694
Supplies	18,572	11,532	30,104
Cost of sales - purchased	618,726	10,222	628,948
Cost of sales - donated	90,909	--	90,909
Other	4,565	6,797	11,362
Depreciation	21,343	24,946	46,289
Total Operating Expenses	<u>1,348,975</u>	<u>454,141</u>	<u>1,803,116</u>
Operating Income(Loss)	<u>(1,127,759)</u>	<u>(50,480)</u>	<u>(1,178,239)</u>
<b>Nonoperating Revenues/Expenses:</b>			
Other local revenue	--	3,675	3,675
State grants	3,233	4,918	8,151
Federal grants	1,344,096	106,833	1,450,929
Donated food	91,353	--	91,353
Interest	--	(1,726)	(1,726)
Total Nonoperating Revenue/ (Expenses)	<u>1,438,682</u>	<u>113,700</u>	<u>1,552,382</u>
Change in Net Position	310,923	63,220	374,143
<b>Net Position - Beginning of Year</b>	<u>413,017</u>	<u>260,459</u>	<u>673,476</u>
<b>Net Position - End of Year</b>	<u>\$ 723,940</u>	<u>\$ 323,679</u>	<u>\$ 1,047,619</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, 2022

	<b>Food Service Fund</b>	<b>Other Enterprise Fund</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities</b>			
Cash receipts from customers	\$ 205,492	\$ 403,661	\$ 609,153
Cash payments to suppliers	(673,997)	(44,202)	(718,199)
Cash payments to employees	(553,602)	(376,994)	(930,596)
Net Cash (Used) by Operating Activities	<u>(1,022,107)</u>	<u>(17,535)</u>	<u>(1,039,642)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Other local revenue	--	3,675	3,675
Cash reimbursements - state	3,233	4,918	8,151
Cash reimbursements - federal	1,428,936	106,833	1,535,769
Net Cash Provided by Noncapital Financing Activities	<u>1,432,169</u>	<u>115,426</u>	<u>1,547,595</u>
<b>Cash Flows from Capital and related Financing Activities:</b>			
Interest paid on long term debt	--	(1,726)	(1,726)
Principal paid on long term debt	--	(8,460)	(8,460)
Net Cash Provided by Noncapital Financing Activities	<u>--</u>	<u>(10,186)</u>	<u>(10,186)</u>
<b>Net Change in Cash and Cash Equivalents</b>	410,062	87,705	497,767
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>237,054</u>	<u>90,068</u>	<u>327,122</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 647,116</u>	<u>\$ 177,773</u>	<u>\$ 824,889</u>
<b>Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:</b>			
Operating (Loss)	\$ (1,127,759)	\$ (50,480)	\$ (1,178,239)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	21,343	24,946	46,289
Value of commodities used	90,909	--	90,909
Change in Assets and Liabilities:			
Accounts receivable	1,167	--	1,167
Inventory	(373)	--	(373)
Prepaid Expenses	32	2,134	2,166
Deferred revenue	(16,891)	--	(16,891)
Contracts payable	(3,469)	221	(3,248)
Accrued payroll expenses	15,401	1,061	16,462
Accounts payable	(2,467)	4,583	2,116
Net cash (used) by operating activities:	<u>\$ (1,022,107)</u>	<u>\$ (17,535)</u>	<u>\$ (1,039,642)</u>
<b>Noncash Investing, Capital and Financing Activities</b>			
Value of commodities received	<u>\$ 91,353</u>	<u>\$ --</u>	<u>\$ 91,353</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, 2022

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	<b>Custodial Funds</b>
<b>Assets:</b>	
Cash and cash equivalents	\$ 119,688
Accounts receivable	7,827
Total Assets	\$ 127,515
Total Liabilities	\$ --
<b>Net Position:</b>	
Restricted for:	
Flex account	40,442
Individuals, organizations, and other governments	87,073
Total Net Position	\$ 127,515

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, 2022

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	<b>Custodial Funds</b>
<b>Additions:</b>	
Flex revenue	\$ 79,457
Collections for student activities	190,244
Total Additions	269,701
<b>Deductions:</b>	
Flex deductions	74,528
Payments for student activities	159,453
Total Deductions	233,981
Change in Net Position	35,720
<b>Net Position - Beginning</b>	91,795
<b>Net Position - Ending</b>	\$ 127,515

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, 2022

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#### 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, 2022

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**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, 2022

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### 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.

#### **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, 2022

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**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, 2022

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**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, 2022 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, 2022

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#### 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 estimated fair 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, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

**Tea Area School District No. 41-5**

Notes to the Financial Statements

June 30, 2022

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**1. Summary of Significant Accounting Policies: (Continued)**

The total June 30, 2022 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, 2022 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 of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation 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

\*Land is an inexhaustible capital asset and is not depreciated.

**Fund Financial Statements:**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

**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, 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, 2022

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**1. Summary of Significant Accounting Policies: (Continued)**

h. Leases:

**Lessee:**

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 \$45,000 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. 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.

## Tea Area School District No. 41-5

### Notes to the Financial Statements

June 30, 2022

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#### 1. Summary of Significant Accounting Policies: (Continued)

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.

#### j. 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.

#### k. 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.

#### l. 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.

#### m. 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.

## Tea Area School District No. 41-5

### Notes to the Financial Statements

June 30, 2022

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#### 1. Summary of Significant Accounting Policies: (Continued)

2. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

#### Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between 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.

#### n. 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.

#### o. 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.

**Tea Area School District No. 41-5**  
Notes to the Financial Statements  
June 30, 2022

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**1. Summary of Significant Accounting Policies: (Continued)**

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.

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

p. 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:**

During fiscal year 2022, the School District implemented GASB Statement No. 87. Leases, which requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the terms of the lease. The statement requires a lessee to recognize a lease liability and an intangible right-to-use asset. The School District has reflected this implementation by restating beginning capital assets and lease liabilities.

**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.

**Tea Area School District No. 41-5**

Notes to the Financial Statements

June 30, 2022

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

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.

**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, 2022.

**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>
\$ 449,127	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.

**Tea Area School District No. 41-5**  
Notes to the Financial Statements  
June 30, 2022

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**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.

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, 2022.

**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, 2022

**8. Changes in Capital Assets:**

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

	<b>6/30/2021</b>		<b>Increases</b>		<b>Decreases</b>		<b>6/30/2022</b>
**Restatement due to GASB 87	<b>Balance</b>						<b>Balance</b>
<b>Governmental Activities:</b>							
Capital assets, not being depreciated/amortized:							
Land	\$ 1,781,901		\$ 353,085		\$ --		\$ 2,134,986
Construction in progress	--		2,292,446		--		2,292,446
	<u>1,781,901</u>		<u>2,645,531</u>		<u>--</u>		<u>4,427,432</u>
Capital assets being depreciated/amortized:							
Buildings	56,945,814		--		--		56,945,814
Improvements	1,173,023		233,937		--		1,406,960
Machinery & Equipment	2,982,861		104,964		89,899		2,997,926
Intangible Assets**	--		414,655		--		414,655
Library Books	410,467		--		--		410,467
	<u>61,512,165</u>		<u>753,556</u>		<u>89,899</u>		<u>62,175,822</u>
Less accumulated depreciation/amortization for:							
Buildings	6,506,020		895,243		--		7,401,263
Improvements	698,140		82,795		--		780,935
Machinery & Equipment	1,693,157		326,294		75,585		1,943,866
Intangible Assets**	--		109,955		--		109,955
Library Books	359,305		45,151		--		404,456
	<u>9,256,622</u>		<u>1,459,438</u>		<u>75,585</u>		<u>10,640,475</u>
Total capital assets being depreciated/amortized, net	<u>52,255,543</u>		<u>(705,882)</u>		<u>14,314</u>		<u>51,535,347</u>
Net Capital Assets	<u>\$ 54,037,444</u>		<u>\$ 1,939,649</u>		<u>\$ 14,314</u>		<u>\$ 55,962,779</u>

Depreciation/Amortization expense was charged to functions as follows:

Instruction	\$ 507,815
Support services	402,941
Amortization	278,327
Co-curricular activities	270,355
Total Depreciation/Amortization Expense	<u>\$ 1,459,438</u>

**Tea Area School District No. 41-5**  
Notes to the Financial Statements  
June 30, 2022

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**8. Changes in Capital Assets: (Continued)**

	<b>Balance 6/30/21</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 6/30/2022</b>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings	\$ 180,656	\$ --	\$ --	\$ 180,656
Equipment	620,626	--	--	620,626
Less accumulated depreciation for:				
Less: Accumulated Depreciation	408,038	46,290	--	454,328
Total capital assets being depreciated, net	\$ 393,244	\$ (46,290)	\$ --	\$ 346,954

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	\$ 21,343
Other Enterprise	24,947
Total Business-type activities:	\$ 46,290

Construction Work in Progress at June 30, 2022 is composed of the following:

<b>Project Name</b>	<b>Project Authorization</b>	<b>Through 6/30/2022</b>	<b>Committed</b>
Bus Barn Project	\$ 1,776,586	\$ 1,776,586	\$ --
Band Room Project	849,084	291,247	557,837
High School Expansion Project	1,560,250	164,131	1,396,119
Hillcrest Elementary School Project	120,964	60,482	60,482
Total Work in Progress	\$ 4,306,884	\$ 2,292,446	\$ 2,014,438

**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, 2022, no loan proceeds had been disbursed on this note.

**Tea Area School District No. 41-5**  
Notes to the Financial Statements  
June 30, 2022

**10. Long-Term Liabilities:**

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

	<u>6/30/2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2022</u>	<u>Due Within One Year</u>
**Implementation of GASB 87					
<b>Governmental Activities:</b>					
Bonds Payable:					
General Obligation Bonds	\$ 34,010,000	\$ --	\$ 975,000	\$ 33,035,000	\$ 980,000
Capital Outlay Certificates	<u>16,535,000</u>	<u>--</u>	<u>570,000</u>	<u>15,965,000</u>	<u>715,000</u>
	50,545,000	--	1,545,000	49,000,000	1,695,000
Other Liabilities:					
Promissory Notes	282,587	--	96,634	185,953	96,634
Direct Borrowing Notes	566,313	--	255,433	310,880	157,968
Right to Use asset:					
OSC Copier**	--	414,655	109,955	304,700	107,450
Total Long-Term Liabilities	<u>\$ 51,393,900</u>	<u>\$ 414,655</u>	<u>\$ 2,007,022</u>	<u>\$ 49,801,533</u>	<u>\$ 2,057,052</u>
	<u>6/30/2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2022</u>	<u>Due Within One Year</u>
<b>Business-Type Activities:</b>					
Direct Borrowing Notes	\$ 49,994	\$ --	\$ 8,460	\$ 41,534	\$ 8,714
Total Long-Term Liabilities	<u>\$ 49,994</u>	<u>\$ --</u>	<u>\$ 8,460</u>	<u>\$ 41,534</u>	<u>\$ 8,714</u>

**Governmental Activities**

Liabilities payable at June 30, 2022 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.	\$ 5,550,000

## Tea Area School District No. 41-5

### Notes to the Financial Statements

June 30, 2022

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#### 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.	\$ 2,390,000
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.	\$ 5,435,000
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.	\$ 1,185,000

**Tea Area School District No. 41-5**

Notes to the Financial Statements

June 30, 2022

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**10. Long-Term Liabilities: (Continued)**

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.	\$ 4,530,000
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.	\$ 1,460,000
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.	\$ 2,960,000
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.	\$ 5,830,000
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.	\$ 140,000
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.	\$ 45,953
Tea Area School District No 41-5 Direct Borrowing Note	During August, 2020, the School District entered into an agreement to lease apple computers in the amount of \$11,760. There is an interest rate of 5% assessed on this lease. Final payment is August 2022. The Capital Outlay Fund makes payment on this debt.	\$ 3,917

**Tea Area School District No. 41-5**  
Notes to the Financial Statements  
June 30, 2022

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**10. Long-Term Liabilities: (Continued)**

Tea Area School District No 41-5 Direct Borrowing Note	During July, 2020, the School District entered into an agreement to lease HP computers in the amount of \$157,828. There is an interest rate of 3.69% assessed on this lease. Final payment is August 2022. The Capital Outlay Fund makes payment on this debt.	\$ 52,586
Tea Area School District No 41-5 Direct Borrowing Note	During December, 2019, the School District entered into an agreement to lease HP computers in the amount of \$41,198. There is an interest rate of 1.5% assessed on this lease. Final payment is August 2022. The Capital Outlay Fund makes payment on this debt.	\$ 13,956
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.	\$ 22,526
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.	\$ 13,861
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.	\$ 204,034
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.	\$ 10,080
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.	\$ 134,981
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.	\$ 159,639

**Tea Area School District No. 41-5**  
Notes to the Financial Statements  
June 30, 2022

**10. Long-Term Liabilities: (Continued)**

**Business-Type Activities**

Liabilities payable at June 30, 2022 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.	\$ 41,534
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The annual debt service requirements to maturity for all debt outstanding at June 30, 2022, are as follows:

**Governmental Activities**

**Year Ending  
June 30,**

	<u>General Obligation Bonds</u>		<u>Capital Outlay Certificates</u>		<u>Intangible Liabilities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 980,000	\$ 1,086,734	\$ 715,000	\$ 522,168	\$ 102,133	\$ 8,180
2024	1,005,000	1,064,105	725,000	505,631	105,502	4,812
2025	1,015,000	1,038,417	750,000	485,868	31,922	1,310
2026	1,070,000	1,021,642	765,000	464,859	32,353	879
2027	1,135,000	983,377	790,000	442,828	32,790	443
2028-2032	8,000,000	4,269,755	4,320,000	1,899,845	--	--
2033-2037	8,030,000	3,087,978	5,170,000	1,195,924	--	--
2038-2042	9,510,000	1,367,859	2,730,000	110,300	--	--
2043-2047	2,290,000	39,060	--	--	--	--
Totals	<u>\$ 33,035,000</u>	<u>\$ 13,958,927</u>	<u>\$ 15,965,000</u>	<u>\$ 5,627,423</u>	<u>\$ 304,700</u>	<u>\$ 15,624</u>

  

	<u>Promissory Notes</u>		<u>Direct Borrowing Notes</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 95,545	\$ 708	\$ 153,168	\$ 14,609	\$ 2,045,846	\$ 1,632,399
2024	90,408	366	86,489	7,701	2,012,399	1,582,615
2025	--	--	71,223	3,419	1,868,145	1,529,014
2026	--	--	--	--	1,867,353	1,487,380
2027	--	--	--	--	1,957,790	1,426,648
2028-2032	--	--	--	--	12,320,000	6,169,600
2033-2037	--	--	--	--	13,200,000	4,283,902
2038-2042	--	--	--	--	12,240,000	1,478,159
2043-2047	--	--	--	--	2,290,000	39,060
Totals	<u>\$ 185,953</u>	<u>\$ 1,074</u>	<u>\$ 310,880</u>	<u>\$ 25,729</u>	<u>\$ 49,801,533</u>	<u>\$ 19,628,777</u>

**Tea Area School District No. 41-5**

Notes to the Financial Statements

June 30, 2022

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**10. Long-Term Liabilities: (Continued)**

**Business-Type Activities**

	<b>Direct Borrowing Notes</b>	
	<b>Principal</b>	<b>Interest</b>
2023	\$ 8,714	\$ 1,492
2024	32,820	11,777
Totals	<u>\$ 41,534</u>	<u>\$ 13,269</u>

**11. Restricted Net Position:**

Restricted Net Position for the year ended June 30, 2022 was as follows:

<b>Purpose</b>	<b>Restricted By</b>	<b>Amount</b>
Major Purposes:		
Capital Outlay	Law	\$ 774,925
Special Education	Law	799,802
Debt Service	Debt Covenant	1,979,073
SDRS Pension Purposes	Law	<u>1,551,643</u>
Total		<u>\$ 5,105,443</u>

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



## Tea Area School District No. 41-5

### Notes to the Financial Statements

June 30, 2022

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#### 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 3<sup>rd</sup> 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 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

**Tea Area School District No. 41-5**  
Notes to the Financial Statements  
June 30, 2022

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**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, 2022, 2021 and 2020, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 705,975
2021	640,330
2020	589,968

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

At June 30, 2021, SDRS is 105.52% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of June 30, 2022 are as follows:

Proportionate share of net pension (asset)	\$ 65,286,476
Less proportionate share of net pension restricted for pension benefit:	<u>68,892,198</u>
Proportionate share of net pension (asset)	<u>\$ (3,605,722)</u>

At June 30, 2022, the School District reported an (asset) of (\$3,605,722) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2021 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, 2021, the School District's proportion was 0.47082600%, which is an increase of 0.0228419% from its proportion measured as of June 30, 2020.

**Tea Area School District No. 41-5**  
Notes to the Financial Statements  
June 30, 2022

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**12. Pension Plan: (Continued)**

For the year ended June 30, 2022, the School District recognized a reduction of pension expense of \$1,088,722. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 129,455	\$ 9,453
Changes in assumption	4,146,542	1,805,693
Net difference between projected and actual earnings on pension plan investments	--	5,150,845
Changes in proportion and difference between district contributions and proportionate share of contributions	539	70,599
District contributions subsequent to the measurement date	705,975	--
Total	<b>\$ 4,982,511</b>	<b>\$ 7,036,590</b>

\$705,975 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

<b>Year Ended June 30,</b>	
2023	\$ (708,488)
2024	(471,909)
2025	(130,660)
2026	(1,448,997)
Total	<b>\$ (2,760,054)</b>

Actuarial Assumptions:

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

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

**Tea Area School District No. 41-5**  
Notes to the Financial Statements  
June 30, 2022

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**12. Pension Plan: (Continued)**

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2021 (see the discussion of the pension plan’s investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	58.0%	4.3%
Fixed income	30.0%	1.6%
Real estate	10.0%	4.6%
Cash	2.0%	0.9%
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).

**Tea Area School District No. 41-5**  
Notes to the Financial Statements  
June 30, 2022

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**12. Pension Plan: (Continued)**

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)	\$ 5,838,560	\$ (3,605,721)	\$ (11,272,279)

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.

**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, 2022, 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.

**Tea Area School District No. 41-5**  
Notes to the Financial Statements  
June 30, 2022

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**13. Risk Management: (Continued)**

Unemployment Benefits:

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended June 30, 2022, 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. Significant Contingencies – Litigation:**

At June 30, 2022, the School District was not involved in any litigation.

**15. Restatement and Implementation of New Standards:**

As of June 30, 2022, the School District implemented GASB Statement No. 87, Leases, which requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. There was no effect on the beginning net position as a result of implementation of the standard.

## Required Supplementary Information

**Tea Area School District No. 41-5**

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis  
June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 2,896,407	\$ 2,896,407	\$ 3,095,128	\$ 198,721
Prior years' ad valorem taxes	40,000	40,000	86,007	46,007
Utility taxes	110,000	110,000	123,513	13,513
Earnings on Investments and Deposits	9,000	9,000	22,628	13,628
Cocurricular Activities:				
Admissions	55,000	55,000	57,089	2,089
Other	84,800	84,800	100,613	15,813
Rentals	3,000	3,000	3,077	77
Other Revenue from Local Sources:				
Rentals	9,500	9,500	10,400	900
Contributions and donations	3,460	3,460	9,047	5,587
Charges for services	15,000	15,000	17,428	2,428
Other	36,000	36,000	74,105	38,105
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	48,000	48,000	64,517	16,517
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	10,703,141	10,703,141	10,485,613	(217,528)
Restricted grants-in-aid	--	--	1,705	1,705
Other state revenues	--	--	1,950	1,950
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	984,731	984,731	795,526	(189,205)
<b>Total Revenues</b>	<b>\$ 14,998,039</b>	<b>\$ 14,998,039</b>	<b>\$ 14,948,346</b>	<b>\$ (49,693)</b>

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, 2022 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
Instructional Services:				
Regular Programs:				
Elementary	\$ 4,002,659	\$ 4,002,659	\$ 4,002,654	\$ 5
Middle/junior high	1,632,589	1,632,589	1,622,072	10,517
High school	2,162,421	2,162,421	2,158,174	4,247
Special programs				
Educationally deprived	124,793	124,793	122,192	2,601
Support Services:				
Students:				
Attendance and social work	12,500	12,500	9,218	3,282
Guidance	351,049	351,049	305,955	45,094
Health	120,600	120,600	118,533	2,067
Instructional Staff:				
Improvement of instruction	804,095	804,095	592,092	212,003
Educational media	492,440	492,440	474,097	18,343
General Administration:				
Board of education	233,419	233,419	231,082	2,337
Executive administration	337,401	337,401	326,237	11,164
School Administration:				
Office of the principal	1,044,748	1,044,748	1,011,430	33,318
Other	2,500	2,500	1,640	860
Business:				
Fiscal services	307,196	307,196	291,734	15,462
Operation and maintenance of plant	2,086,630	2,086,630	2,066,913	19,717
Student transportation	637,199	637,199	593,949	43,250
Cocurricular Activities:				
Male activities	103,324	103,324	97,043	6,281
Female activities	79,500	79,500	71,828	7,672
Combined activities	414,282	414,282	376,737	37,545
Transportation	48,694	48,694	33,020	15,674
Total Expenditures	<u>14,998,039</u>	<u>14,998,039</u>	<u>14,506,600</u>	<u>491,439</u>
Net Change in Fund Balances	--	--	441,746	441,746
<b>Fund Balance, Beginning of Year</b>	<u>2,057,319</u>	<u>2,057,319</u>	<u>2,057,319</u>	<u>--</u>
<b>Fund Balance, End of Year</b>	<u>\$ 2,057,319</u>	<u>\$ 2,057,319</u>	<u>\$ 2,499,065</u>	<u>\$ 441,746</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, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 2,230,337	\$ 2,230,337	\$ 2,231,825	\$ 1,488
Prior years' ad valorem taxes	--	--	37,216	37,216
Other Revenue from Local Sources:				
Contributions and Donations	29,100	29,100	25,722	(3,378)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	208,719	208,719	233,937	25,218
Total Revenues	<u>2,468,156</u>	<u>2,468,156</u>	<u>2,528,700</u>	<u>60,544</u>
<b>Expenditures</b>				
Instructional Services:				
Regular Programs:				
Elementary	35,298	35,298	11,136	24,162
Middle/junior high	41,319	41,319	23,382	17,937
High school	345,166	345,166	138,681	206,485
Support Services:				
Business:				
Facilities acquisition and construction	2,858,259	2,858,259	2,636,182	222,077
Operation and maintenance of plant	392,989	392,989	332,301	60,688
Student transportation	202,872	202,872	8,500	194,372
Debt Services:	1,581,162	1,581,162	1,575,712	5,450
Cocurricular Activities:				
Female activities	5,637	5,637	5,637	--
Combined Activities	19,638	19,638	8,354	11,284
Total Expenditures	<u>5,482,340</u>	<u>5,482,340</u>	<u>4,739,885</u>	<u>742,455</u>
Excess of Revenue Over (Under) Expenditures	<u>(3,014,184)</u>	<u>(3,014,184)</u>	<u>(2,211,185)</u>	<u>802,999</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of general long-term liabilities	416,155	416,155	--	(416,155)
Sale of surplus property	--	--	3,007	3,007
Total Other Financing Sources (Uses)	<u>416,155</u>	<u>416,155</u>	<u>3,007</u>	<u>(413,148)</u>
Net Change in Fund Balances	(2,598,029)	(2,598,029)	(2,208,178)	389,851
<b>Fund Balance, Beginning of Year</b>	<u>2,970,995</u>	<u>2,970,995</u>	<u>2,970,995</u>	<u>--</u>
<b>Fund Balance, End of Year</b>	<u>\$ 372,966</u>	<u>\$ 372,966</u>	<u>\$ 762,817</u>	<u>\$ 389,851</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, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,022,250	\$ 1,022,250	\$ 1,247,832	\$ 225,582
Prior years' ad valorem taxes	--	--	21,891	21,891
Other Revenue from Local Sources:				
Charges for services	28,000	28,000	18,862	(9,138)
Other Revenue	--	--	2,500	2,500
Revenue from State Sources:				
Grants-in-Aid				
Restricted grants-in-aid	2,150,208	2,150,208	2,066,759	(83,449)
Other state revenue	--	--	375	375
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	438,095	438,095	214,807	(223,288)
Total Revenues	<u>3,638,553</u>	<u>3,638,553</u>	<u>3,573,026</u>	<u>(65,527)</u>
<b>Expenditures</b>				
Instructional Services:				
Special Programs:				
Programs for special education	2,363,858	2,363,858	2,295,810	68,048
Support Services:				
Students:				
Guidance services	112,119	112,119	32,840	79,279
Health	133,365	133,365	99,321	34,044
Psychological	148,800	148,800	139,844	8,956
Speech pathology	313,149	313,149	292,667	20,482
Student therapy services	154,220	154,220	147,116	7,104
Orientation and mobility services	376	376	377	(1)
Instructional staff:				
Improvement of instruction	65,916	65,916	65,917	(1)
Special Education:				
Administrative costs	216,700	216,700	216,153	547
Transportation costs	105,050	105,050	104,443	607
Other special education costs	25,000	25,000	166	24,834
Total Expenditures	<u>3,638,553</u>	<u>3,638,553</u>	<u>3,394,654</u>	<u>243,899</u>
Net Change in Fund Balance	--	--	178,372	178,372
<b>Fund Balance, Beginning of Year</b>	<u>649,886</u>	<u>649,886</u>	<u>649,886</u>	<u>--</u>
<b>Fund Balance, End of Year</b>	<u>\$ 649,886</u>	<u>\$ 649,886</u>	<u>\$ 828,258</u>	<u>\$ 178,372</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, 2022

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**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>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)	0.4708260%	0.4479841%	0.4198147%	0.4058275%	0.3714927%	0.3460773%	0.3348384%	0.3323052%
District's proportionate share of net pension liability (asset)	\$ (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	\$ 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	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)	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>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	\$ 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>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>
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
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.01%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

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

## 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, 2022

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#### Changes from Prior Valuation

The June 30, 2021 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2020 Actuarial Valuation. One change in actuarial assumptions and one plan provision change are reflected and described below.

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

#### Benefit Provision Changes

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

#### Actuarial Assumption Changes

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

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

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

#### Actuarial Method Changes

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

## Supplementary Information



**Tea Area School District No. 41-5**  
Schedule of Expenditures of Federal Awards  
June 30, 2022

<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	\$ 91,353
Cash Assistance:			
School Breakfast Program (Note 3)	10.553	NA	186,573
National School Lunch Program (Note 3)	10.555	NA	<u>1,157,522</u>
Total Child Nutrition Cluster			<u>1,435,448</u>
Total U.S. Department of Agriculture			<u>1,435,448</u>
National Foundation on the Arts and Humanities			
Pass Through SD Department of Tourism			
Promotion of the Arts-Partnership Agreements	45.025	NA	894
Total National Foundation on the Arts and Humanities			<u>894</u>
U.S. Department of Education:			
Pass through the S.D. Department of Education:			
Title I Grants to Local Educational Agencies	84.010	NA	101,154
Supporting Effective Instruction State Grant	84.367	NA	7,083
Student Support and Academic Enrichment Program	84.424	NA	10,000
Cares ESSER funds (Note 4)	84.425D	NA	730,403
Cares ESSER funds ARP (Note 4)	84.425U	NA	<u>179,366</u>
Total ESSER Funds			909,769
Special Education Cluster:			
Special Education Grants to States	84.027	NA	209,632
Special Education - Preschool Grants	84.173	NA	<u>5,175</u>
Total Special Education Cluster			<u>214,807</u>
Total U.S. Department of Education			<u>1,242,813</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	106,833
Total U.S. Department of Health and Human Services			<u>106,833</u>
Grand Total			<u>\$ 2,785,988</u>

**Tea Area School District No. 41-5**  
Schedule of Expenditures of Federal Awards  
June 30, 2022 (Continued)

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**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.