

**CITY OF TEA**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**

**FOR THE TWO YEARS ENDED**  
**DECEMBER 31, 2021**

Prepared by the  
Administration and Finance Departments

**CITY OF TEA, SOUTH DAKOTA  
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**CITY OF TEA, SOUTH DAKOTA**

List of Principal Officials  
December 31, 2021

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Title	Name
Mayor	John Lawler
Council Member	Sidney Munson
Council Member	Jim Erck
Council Member	Chuck Ortmeier
Council Member	Joe Weis
Council Member	Casey Voelker
Council Member	Terry Woessner
City Finance Officer	Dawn Murphy
City Attorney	Todd Meierhenry
City Administrator	Daniel Zulkosky



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## INDEPENDENT AUDITORS' REPORT

The Mayor and Members of the  
City Council  
City of Tea, South Dakota

### Report on the Audit of the Financial Statements

#### Unmodified and Disclaimer of Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information; and we were not engaged to audit the discretely presented component unit of the City of Tea, South Dakota as of December 31, 2021 and for each of the years in biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Discretely Presented Component Unit	Disclaimer
General Fund	Unmodified
271 <sup>st</sup> St. SA Bonds Debt Service Fund	Unmodified
Gateway BLVD Capital Project Fund	Unmodified
Water Utility Fund	Unmodified
Sewer Utility Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

#### Disclaimer of Opinion on Discretely Presented Component Unit

We do not express an opinion on the financial statements of the aggregate discretely presented component units of the City of Tea. Because of the significance of the matter described in the Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Unit section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units.

#### Unmodified Opinions on Governmental Activities, Business-Type Activities, Each Major Fund and Aggregate Remaining Fund Information

In our opinion, the 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 City of Tea as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for each of the years in the biennial period then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units**

The financial statements of the Housing & Redevelopment Component Unit (H&RCU) have not been audited, and we were not engaged to audit the H&RCU financial statements as part of our audit of the City of Tea's basic financial statements. H&RCU's financial activities are included in the City of Tea's basic financial statements as a part of the aggregate discretely presented component units and represent 2.77 percent, (0.32) percent, and 5.47 percent of the assets, net position, and revenues, respectively, of the City of Tea, South Dakota's aggregate discretely presented component units

### **Basis for Unmodified Opinions**

We conducted our audit of the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Tea, 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 unmodified audit opinions.

### **Emphasis of a Matter**

As described in Note 18 to the financial statements, in 2020, the City adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinions are not modified with respect to this matter.

### **Correction of Error**

As described in Note 18 the beginning balance of the net position in the Sewer Fund was understated and the net position was overstated in the Governmental Activities. This has been corrected on the accompanying financial statements. Our opinions are not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Tea'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.

### **Auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards 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 City of Tea'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 City of Tea's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of the City's proportionate share of the net pension liability (asset), and schedule of the City's contributions to the South Dakota Retirement System on 45 through 52 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.

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tea, South Dakota's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, budgetary comparison schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules, and the schedule of expenditures of federal awards are 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 June 19, 2023 on our consideration of the City of Tea's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City'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 City of Tea's internal control over financial reporting and compliance.

*Williams & Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
June 19, 2023



**CITY OF TEA, SOUTH DAKOTA**  
**STATEMENT OF NET POSITION**  
December 31, 2021

	Primary Government			Unaudited Component Unit
	Governmental	Business-Type	Total	Housing &
	Activities	Activities		Redevelopment
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 6,000,445	\$ 1,069,237	\$ 7,069,682	\$ 84,622
Receivables:				
Taxes	37,276	-	37,276	-
Accounts	8,850	228,709	237,559	47,567
Special Assessments	2,065,128	-	2,065,128	-
Notes Receivable	1,350,000	-	1,350,000	-
Due from Other Governmental Agencies	463,886	-	463,886	59,367
Prepaid Expenses	39,317	15,028	54,345	-
Internal Balances	260,398	(260,398)	-	-
Restricted Assets:				
Cash and Cash Equivalents	1,792,942	1,116,120	2,909,062	-
Net Pension Asset	337,674	74,594	412,268	-
Land	2,289,963	285,768	2,575,731	204,116
Construction in Progress	14,301,077	14,240,138	28,541,215	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	16,213,163	11,678,839	27,892,002	1,659,334
Total Assets	<u>45,160,119</u>	<u>28,448,035</u>	<u>73,608,154</u>	<u>2,055,006</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related Deferred Outflows	<u>431,285</u>	<u>95,274</u>	<u>526,559</u>	<u>-</u>
 <b>LIABILITIES</b>				
Accounts Payable	308,713	562,399	871,112	39,444
Accrued Wages	21,363	4,418	25,781	1,109
Accrued Interest Payable	51,452	181,125	232,577	-
Accrued Taxes	1,705	318	2,023	-
Revenue Collected in Advance	555,146	539,252	1,094,398	-
Payables from Restricted Assets:				
Customer Deposits	-	66,837	66,837	7,610
Noncurrent Liabilities:				
Due within one year:				
Revenue Bonds Payable	540,000	333,136	873,136	-
Notes Payable	-	-	-	18,841
Due in more than one year:				
Revenue Bonds Payable	11,110,433	10,652,516	21,762,949	-
Notes Payable	-	-	-	2,141,725
Total Liabilities	<u>12,588,812</u>	<u>12,340,001</u>	<u>24,928,813</u>	<u>2,208,729</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Related Deferred Inflows	<u>663,201</u>	<u>146,506</u>	<u>809,707</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>663,201</u>	<u>146,506</u>	<u>809,707</u>	<u>-</u>
 <b>NET POSITION</b>				
Net Investment in Capital Assets	21,153,770	15,219,093	36,372,863	-
Restricted for:				
Debt Service	4,006,710	934,995	4,941,705	-
Capital Improvements	967,778	-	967,778	-
SDRS Pension Purposes	105,758	23,362	129,120	-
Unrestricted	6,105,375	(120,648)	5,984,727	(153,723)
Total Net Position	<u>\$ 32,339,391</u>	<u>\$ 16,056,802</u>	<u>\$ 48,396,193</u>	<u>\$ (153,723)</u>

**CITY OF TEA, SOUTH DAKOTA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Program Revenues</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental Activities:</b>				
General Government	\$ 580,629	\$ 205,637	\$ -	\$ 2,860
Public Safety	771,512	49,360	33,736	-
Public Works	1,181,878	29,946	6,846,980	2,484,182
Health and Welfare	4,092	-	-	-
Culture and Recreation	672,988	261,595	-	-
Community Development	339,928	-	-	-
Interest on Long-Term Debt	321,942	-	-	-
Total Governmental Activities	<u>3,872,969</u>	<u>546,538</u>	<u>6,880,716</u>	<u>2,487,042</u>
<b>Business-Type Activities:</b>				
Water	891,994	1,164,030	-	822,744
Wastewater	653,763	1,590,430	-	599,395
Total Business-Type Activities	<u>1,545,757</u>	<u>2,754,460</u>	<u>-</u>	<u>1,422,139</u>
<b>Component Units:</b>				
Housing & Redevelopment	1,006,723	1,058,581	-	-
Total Component Unit	<u>\$ 1,006,723</u>	<u>\$ 1,058,581</u>	<u>\$ -</u>	<u>\$ -</u>
<b>General Revenues:</b>				
Property taxes				
Sales and other Taxes				
Interest				
Miscellaneous				
Gain on Sale of Capital Assets				
Special Item change in SDPAA reserve				
Interfund Transfers				
Total General Revenues and Transfers				
Change in Net Position				
Net Position - Beginning				
Net Position - Ending				

**Net (Expense) Revenue  
and Changes in Net Position**

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Unaudited Component Unit Housing &amp; Redevelopment</u>
\$ (372,132)	\$ -	\$ (372,132)	\$ -
(688,416)		(688,416)	-
8,179,230		8,179,230	-
(4,092)		(4,092)	-
(411,393)		(411,393)	-
(339,928)		(339,928)	-
(321,942)		(321,942)	-
<u>6,041,327</u>		<u>6,041,327</u>	<u>-</u>
	1,094,780	1,094,780	-
	1,536,062	1,536,062	-
	<u>2,630,842</u>	<u>2,630,842</u>	<u>-</u>
-	-	-	51,858
-	-	-	51,858
2,395,437	-	2,395,437	-
2,661,213	-	2,661,213	-
4,813	3,484	8,297	14
104,951	67,701	172,652	-
12,051	-	12,051	-
(57,074)	(22,226)	(79,300)	-
(133,684)	133,684	-	-
<u>4,987,707</u>	<u>182,643</u>	<u>5,170,350</u>	<u>14</u>
11,029,034	2,813,485	13,842,519	51,872
<u>21,310,357</u>	<u>13,243,317</u>	<u>34,553,674</u>	<u>(205,595)</u>
<u>\$ 32,339,391</u>	<u>\$ 16,056,802</u>	<u>\$ 48,396,193</u>	<u>\$ (153,723)</u>

**CITY OF TEA, SOUTH DAKOTA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Program Revenues</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental Activities:</b>				
General Government	\$ 731,818	\$ 174,704	\$ -	\$ 11,675
Public Safety	903,914	58,556	27,483	-
Public Works	844,081	40,409	529,492	643,548
Health and Welfare	7,920	-	-	-
Culture and Recreation	1,121,362	153,654	-	-
Community Development	190,738	-	-	-
Interest on Long-Term Debt	202,500	-	-	-
Total Governmental Activities	<u>4,002,333</u>	<u>427,323</u>	<u>556,975</u>	<u>655,223</u>
<b>Business-Type Activities:</b>				
Water	891,434	1,082,729	-	104,706
Wastewater	605,511	1,528,381	-	1,021,671
Total Business-Type Activities	<u>1,496,945</u>	<u>2,611,110</u>	<u>-</u>	<u>1,126,377</u>
<b>Component Units:</b>				
Housing & Redevelopment	1,082,325	1,058,234	-	-
Total Component Unit	<u>\$ 1,082,325</u>	<u>\$ 1,058,234</u>	<u>\$ -</u>	<u>\$ -</u>
<b>General Revenues:</b>				
Property taxes				
Sales and other Taxes				
Interest				
Miscellaneous				
Gain on Sale of Capital Assets				
Interfund Transfers				
Total General Revenues and Transfers				
Change in Net Position				
Net Position - Beginning				
Reclassification Adjustment				
Prior Period Adjustment				
Net Position - beginning, as restated				
Net Position - Ending				

**Net (Expense) Revenue  
and Changes in Net Position**

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Unaudited Component Unit Housing &amp; Redevelopment</u>
\$ (545,439)	\$ -	\$ (545,439)	\$ -
(817,875)		(817,875)	-
369,368		369,368	-
(7,920)		(7,920)	-
(967,708)		(967,708)	-
(190,738)		(190,738)	-
(202,500)		(202,500)	-
<u>(2,362,812)</u>		<u>(2,362,812)</u>	<u>-</u>
	296,001	296,001	-
	1,944,541	1,944,541	-
	<u>2,240,542</u>	<u>2,240,542</u>	<u>-</u>
-	-	-	(24,091)
-	-	-	<u>(24,091)</u>
2,009,239	-	2,009,239	-
2,293,641	-	2,293,641	-
9,977	9,372	19,349	19
109,097	62,431	171,528	911
10,278	-	10,278	-
(136,855)	136,855	-	-
<u>4,295,377</u>	<u>208,658</u>	<u>4,504,035</u>	<u>930</u>
1,932,565	2,449,200	4,381,765	(23,161)
21,363,449	8,783,119	30,146,568	(182,434)
25,341	-	25,341	-
(2,010,998)	2,010,998	-	-
<u>19,377,792</u>	<u>10,794,117</u>	<u>30,171,909</u>	<u>(182,434)</u>
<u>\$ 21,310,357</u>	<u>\$ 13,243,317</u>	<u>\$ 34,553,674</u>	<u>\$ (205,595)</u>

**CITY OF TEA, SOUTH DAKOTA**  
**BALANCE SHEET**  
**Governmental Funds**  
**December 31, 2021**

	General	271st St. SA Bonds Debt Service	Gateway BLVD Capital Project
<b><u>Assets</u></b>			
Cash and Cash Equivalents	4,929,474	\$ 61,956	\$ 123,786
Receivables (Net where applicable, of allowance for uncollectibles):			
Taxes	35,588	-	-
Accounts	8,850	-	-
Special Assessments	702,394	1,142,987	-
Notes Receivable	1,350,000	-	-
Due from Other Funds	474,568	-	-
Due from Other Governmental Agencies	46,757	-	410,216
Restricted Assets:			
Cash and Cash Equivalents	1,359,299	86,081	-
Total Assets	<u>8,906,930</u>	<u>1,291,024</u>	<u>534,002</u>
<b><u>Liabilities</u></b>			
Accounts Payable	222,778	-	63,483
Accrued Wages	21,363	-	-
Accrued Taxes	1,705	-	-
Revenue Collected in Advance	555,146	-	-
Due to Other Funds	-	-	-
Total Liabilities	<u>800,992</u>	<u>-</u>	<u>63,483</u>
<b><u>Deferred Inflows of Resources</u></b>			
Unavailable revenue- property taxes	15,811	-	-
Unavailable revenue- special assessments	702,394	1,142,987	-
Unavailable revenue- other	1,350,000	-	-
Total Deferred Inflows of Resources	<u>2,068,205</u>	<u>1,142,987</u>	<u>-</u>
<b><u>Fund Balances</u></b>			
Restricted:			
Debt Service	1,359,299	148,037	-
Capital Improvement	-	-	470,519
Assigned:			
Capital Projects	-	-	-
Unassigned	4,678,434	-	-
Total Fund Balances (Deficits)	<u>6,037,733</u>	<u>148,037</u>	<u>470,519</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 8,906,930</u>	<u>\$ 1,291,024</u>	<u>\$ 534,002</u>

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 885,229	\$ 6,000,445
1,688	37,276
-	8,850
219,747	2,065,128
-	1,350,000
-	474,568
6,913	463,886
<u>347,562</u>	<u>1,792,942</u>
<u>1,461,139</u>	<u>12,193,095</u>
22,452	308,713
-	21,363
-	1,705
-	555,146
<u>214,170</u>	<u>214,170</u>
<u>236,622</u>	<u>1,101,097</u>
766	16,577
213,594	2,058,975
-	1,350,000
<u>214,360</u>	<u>3,425,552</u>
504,921	2,012,257
488,483	959,002
190,291	190,291
<u>(173,538)</u>	<u>4,504,896</u>
1,010,157	7,666,446
<u>\$ 1,461,139</u>	<u>\$ 12,193,095</u>

**CITY OF TEA, SOUTH DAKOTA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**December 31, 2021**

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Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds (page 12)	\$	7,666,446
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds		32,804,203
Unavailable revenues that do not provide current financial resources for governmental activities		3,425,552
Accrued expenses from the balance sheet that do not require current financial resources for governmental activities		(51,452)
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.		39,317
Pension related deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, are not due and payable in the current year and, therefore are not reported in the governmental funds.		(231,916)
Long-term liabilities, such as Bonds and Notes Payable as well as Capital Leases and Accrued Compensated Absences are not due and payable in the current period and therefore are not reported in the funds		(11,650,433)
The Net Pension Asset does not provide resources in the current period and therefore is not reported in the funds		337,674
		<hr/>
Total Net Position - Governmental Activities (page 6)	\$	<u>32,339,391</u>



**CITY OF TEA, SOUTH DAKOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**For the Year Ended December 31, 2021**

	General	271st St. SA Bonds Debt Service	Gateway BLVD Capital Project	Other Governmental Funds	Total Governmental Funds
<b>Revenue:</b>					
Property Taxes	\$ 2,246,587	\$ -	\$ -	\$ 142,329	\$ 2,388,916
Sales and Other Taxes	2,550,075	-	-	110,961	2,661,036
Special Assessments	-	65,299	145,862	334,463	545,624
Licenses and Permits	187,105	-	-	-	187,105
Intergovernmental	285,778	-	6,690,243	-	6,976,021
Charges for Services	159,820	-	-	53,561	213,381
Fines and Forfeits	1,183	-	-	-	1,183
Interest on Investments	927	204	-	1,435	2,566
Contributions	2,860	-	-	-	2,860
Miscellaneous	102,786	-	-	2,165	104,951
<b>Total Revenue</b>	<b>5,537,121</b>	<b>65,503</b>	<b>6,836,105</b>	<b>644,914</b>	<b>13,083,643</b>
<b>Current Expenditures:</b>					
General Government	562,296	-	-	-	562,296
Public Safety	1,866,493	-	-	-	1,866,493
Public Works	753,561	-	-	268,013	1,021,574
Culture and Recreation	180,986	-	-	138,410	319,396
Community Development	339,928	-	-	-	339,928
Health and Welfare	4,092	-	-	-	4,092
<b>Capital Outlay:</b>					
Public Works	-	-	9,836,977	971,446	10,808,423
Debt Service	381,024	71,880	101,585	235,042	789,531
<b>Total Expenditures</b>	<b>4,088,380</b>	<b>71,880</b>	<b>9,938,562</b>	<b>1,612,911</b>	<b>15,711,733</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,448,741</b>	<b>(6,377)</b>	<b>(3,102,457)</b>	<b>(967,997)</b>	<b>(2,628,090)</b>
<b>Other Financing Sources (Uses):</b>					
Premium on Bond	-	-	401,698	80,342	482,040
Issuance of Debt	-	-	5,005,000	1,005,000	6,010,000
Proceeds From Sale of Uncapitalized Assets	12,051	-	-	-	12,051
Transfers In	349,950	-	-	-	349,950
Transfers Out	(133,684)	-	(291,624)	(58,326)	(483,634)
<b>Total Other Financing Sources (Uses)</b>	<b>228,317</b>	<b>-</b>	<b>5,115,074</b>	<b>1,027,016</b>	<b>6,370,407</b>
<b>Special Item:</b>					
Change in SDPAA Reserve	(57,074)	-	-	-	(57,074)
<b>Net Change in Fund Balance</b>	<b>1,619,984</b>	<b>(6,377)</b>	<b>2,012,617</b>	<b>59,019</b>	<b>3,685,243</b>
<b>Fund Balances (Deficits)-Beginning of Year</b>	<b>4,417,749</b>	<b>154,414</b>	<b>(1,542,098)</b>	<b>951,138</b>	<b>3,981,203</b>
<b>Fund Balances - End of Year</b>	<b>\$ 6,037,733</b>	<b>\$ 148,037</b>	<b>\$ 470,519</b>	<b>\$ 1,010,157</b>	<b>\$ 7,666,446</b>

**CITY OF TEA, SOUTH DAKOTA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2021**

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

Net change in fund balances - total governmental funds (page 14)		\$ 3,685,243
<p>Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current year:</p>		
Expenditures for capital assets	\$ 12,154,265	
Depreciation Expense	<u>(889,040)</u>	11,265,225
Revenues reported in the funds that are not available to provide current financial resources:		8,945
Accrued interest expense that does not require current financial resources:		(9,018)
Governmental funds report special assessments as revenue when it becomes available, but the statement of activities includes special assessments as revenue when levied.		1,988,122
Pension expenses reported in the Statement of Activities do not require the use of current financial resources.		98,810
Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources:		7,140
The effect of bond issuance premiums are shown in the governmental funds when new debt is issued, whereas, these amounts are deferred and accreted in the Statement of Activities:		(480,433)
Proceeds from the issuance of long-term debt		(6,010,000)
The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:		<u>475,000</u>
Change in net position of governmental activities (page 8)		<u><u>\$ 11,029,034</u></u>

**CITY OF TEA, SOUTH DAKOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**For the Year Ended December 31, 2020**

	General	271st St. SA Bonds Debt Service	Gateway BLVD Capital Project	Other Governmental Funds	Total Governmental Funds
Revenue:					
Property Taxes	\$ 1,897,115	\$ -	\$ -	\$ 109,570	\$ 2,006,685
Sales and Other Taxes	2,198,878	-	-	94,378	2,293,256
Special Assessments	272,805	227,343	-	188,361	688,509
Licenses and Permits	189,055	-	-	-	189,055
Intergovernmental	626,020	-	-	-	626,020
Charges for Services	118,302	-	-	-	118,302
Fines and Forfeits	701	-	-	-	701
Interest on Investments	4,232	270	-	2,834	7,336
Contributions	19,175	-	-	20,000	39,175
Miscellaneous	81,597	-	-	-	81,597
Total Revenue	<u>5,407,880</u>	<u>227,613</u>	<u>-</u>	<u>415,143</u>	<u>6,050,636</u>
Current Expenditures:					
General Government	672,611	-	-	-	672,611
Public Safety	883,079	-	-	-	883,079
Public Works	437,654	-	-	481,216	918,870
Culture and Recreation	714,503	-	-	8,648	723,151
Community Development	190,738	-	-	-	190,738
Health and Welfare	7,920	-	-	-	7,920
Capital Outlay:					
Public Works	-	-	1,542,098	-	1,542,098
Debt Service	376,695	77,955	-	222,375	677,025
Total Expenditures	<u>3,283,200</u>	<u>77,955</u>	<u>1,542,098</u>	<u>712,239</u>	<u>5,615,492</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,124,680</u>	<u>149,658</u>	<u>(1,542,098)</u>	<u>(297,096)</u>	<u>435,144</u>
Other Financing Sources (Uses):					
Proceeds From Sale of Capital Assets	10,278	-	-	-	10,278
Transfers In	-	-	-	345,496	345,496
Transfers Out	(482,351)	-	-	-	(482,351)
Total Other Financing Sources (Uses)	<u>(472,073)</u>	<u>-</u>	<u>-</u>	<u>345,496</u>	<u>(126,577)</u>
Net Change in Fund Balance	1,652,607	149,658	(1,542,098)	48,400	308,567
Fund Balances (Deficits)-Beginning of Year	2,739,801	4,756	-	902,738	3,647,295
Reclassification Adjustment	25,341	-	-	-	25,341
Fund Balances -Beginning of Year, as restated	<u>2,765,142</u>	<u>4,756</u>	<u>-</u>	<u>902,738</u>	<u>3,672,636</u>
Fund Balances (Deficits)- End of Year	<u>\$ 4,417,749</u>	<u>\$ 154,414</u>	<u>\$ (1,542,098)</u>	<u>\$ 951,138</u>	<u>\$ 3,981,203</u>

**CITY OF TEA, SOUTH DAKOTA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2020**

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

Net change in fund balances - total governmental funds (page 16)		\$ 308,567
<p>Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current year:</p>		
Expenditures for capital assets	\$ 2,142,226	
Depreciation Expense	<u>(926,751)</u>	1,215,475
Capital Contributions reported in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds.		226,761
Revenues reported in the funds that are not available to provide current financial resources:		5,580
Accrued interest expense that does not require current financial resources:		24,525
Governmental funds report special assessments as revenue when it becomes available, but the statement of activities includes special assessments as revenue when levied.		(221,502)
Pension expenses reported in the Statement of Activities do not require the use of current financial resources.		(78,159)
Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources:		1,318
The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:		<u>450,000</u>
Change in net position of governmental activities (page 10)		<u><u>\$ 1,932,565</u></u>

**CITY OF TEA, SOUTH DAKOTA**  
**STATEMENT OF NET POSITION**  
**Proprietary Funds**  
**December 31, 2021**

	Water	Sewer	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 22,274	\$ 1,046,963	\$ 1,069,237
Receivables (Net where applicable, of allowance for uncollectibles):			
Accounts	99,294	129,415	228,709
Prepaid Insurance	11,206	3,822	15,028
Due From Other Funds	-	450,000	450,000
Total Current Assets	<u>132,774</u>	<u>1,630,200</u>	<u>1,762,974</u>
Noncurrent Assets:			
Restricted Assets:			
Restricted Cash	715,983	400,137	1,116,120
Net Pension Asset	37,297	37,297	74,594
Land	266,140	19,628	285,768
Construction in Progress	4,823,532	9,416,606	14,240,138
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>5,825,161</u>	<u>5,853,678</u>	<u>11,678,839</u>
Total Noncurrent Assets	<u>11,668,113</u>	<u>15,727,346</u>	<u>27,395,459</u>
Total Assets	<u>11,800,887</u>	<u>17,357,546</u>	<u>29,158,433</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related Deferred Outflows	<u>47,637</u>	<u>47,637</u>	<u>95,274</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	71,528	490,871	562,399
Accrued Wages	2,209	2,209	4,418
Accrued Interest Payable	41,383	139,742	181,125
Unearned Revenue	-	539,252	539,252
Accrued Taxes	159	159	318
Due to Other Funds	693,643	16,755	710,398
Customer Deposits	66,837	-	66,837
Revenue Bonds Payable- Current	<u>189,581</u>	<u>143,555</u>	<u>333,136</u>
Total Current Liabilities	<u>1,065,340</u>	<u>1,332,543</u>	<u>2,397,883</u>
Noncurrent Liabilities:			
Revenue Bonds Payable	<u>4,365,001</u>	<u>6,287,515</u>	<u>10,652,516</u>
Total Noncurrent Liabilities	<u>4,365,001</u>	<u>6,287,515</u>	<u>10,652,516</u>
Total Liabilities	<u>5,430,341</u>	<u>7,620,058</u>	<u>13,050,399</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related Deferred Inflows	<u>73,253</u>	<u>73,253</u>	<u>146,506</u>
<b>NET POSITION</b>			
Net investment in capital assets,	6,360,251	8,858,842	15,219,093
Restricted for:			
Debt Service	674,600	260,395	934,995
SDRS Pension Purposes	11,681	11,681	23,362
Unrestricted	<u>(701,602)</u>	<u>580,954</u>	<u>(120,648)</u>
Total Net Position	<u>\$ 6,344,930</u>	<u>\$ 9,711,872</u>	<u>\$ 16,056,802</u>

**CITY OF TEA, SOUTH DAKOTA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Proprietary Funds**  
**For the Year Ended December 31, 2021**

	<b>Business-Type</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Totals</b>
Operating Revenues:			
Charges for Services	1,164,030	\$ 1,590,430	\$ 2,754,460
Operating Expenses:			
Personal Services	134,119	133,558	267,677
Insurance	11,401	4,393	15,794
Professional Services	320	4,831	5,151
Repairs and Maintenance	9,458	32,966	42,424
Supplies and Materials	413,579	17,651	431,230
Utilities	7,099	55,195	62,294
Billing and Administration	18,296	11,765	30,061
Bad Debt Expense	721	557	1,278
Depreciation	183,198	266,823	450,021
Total Operating Expenses	778,191	527,739	1,305,930
Operating Income (Loss)	385,839	1,062,691	1,448,530
Non-Operating Income (Expense):			
Interest Income	1,581	1,903	3,484
Rental Income	69,826	-	69,826
Miscellaneous, net	226	(2,351)	(2,125)
Interest Expense	(113,803)	(126,024)	(239,827)
Total Non-Operating Income (Expenses)	(42,170)	(126,472)	(168,642)
Income Before Contributions, Special Items and Transfers	343,669	936,219	1,279,888
Special Item - Change in SDPAA Reserve	(15,820)	(6,406)	(22,226)
Transfers In	-	133,684	133,684
Contributed Capital Revenue	769,703	585,325	1,355,028
Capital - Special Assessments	53,041	14,070	67,111
Change in Net Position	1,150,593	1,662,892	2,813,485
Net Position - Beginning	5,194,337	8,048,980	13,243,317
Net Position - Ending	\$ 6,344,930	\$ 9,711,872	\$ 16,056,802

**CITY OF TEA, SOUTH DAKOTA**  
**STATEMENT OF CASH FLOWS**  
**Proprietary Funds**  
**For the Year Ended December 31, 2021**

	<b>Business-Type</b>		
	<b>Water</b>	<b>Waste- Water</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 1,139,428	\$ 2,131,840	\$ 3,271,268
Cash Received from Interfund Services Provided	24,498	4,215	28,713
Cash Paid to Suppliers for Goods and Services	(144,967)	(144,406)	(289,373)
Cash Paid to Employees for Services	(422,148)	(136,912)	(559,060)
Other Nonoperating Revenues	69,826	-	69,826
Net Cash Provided from Operating Activities	<u>666,637</u>	<u>1,854,737</u>	<u>2,521,374</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and Construction of Capital Assets	(3,621,306)	(3,362,600)	(6,983,906)
Collection of Capital Related Special Assessments	53,041	14,070	67,111
Proceeds from Bond Issuance	2,732,343	1,575,296	4,307,639
Principal Paid on Notes, Bonds and Leases	(164,781)	(106,888)	(271,669)
Receipts from Other Governments	769,703	585,325	1,355,028
Interest Paid on Notes and Bonds	(79,147)	(29,046)	(108,193)
Net Cash (Used) by Capital and Related Financing Activities	<u>(310,147)</u>	<u>(1,323,843)</u>	<u>(1,633,990)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Due to Other Funds	(340,059)	5,096	(334,963)
Due From Other Funds	-	205,000	205,000
Transfers In	-	133,684	133,684
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(340,059)</u>	<u>343,780</u>	<u>3,721</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest and Dividends on Investments	1,582	1,903	3,485
Net Cash Provided from Investing Activities	<u>1,582</u>	<u>1,903</u>	<u>3,485</u>
Net Increase in Cash and Cash Equivalents	18,013	876,577	894,590
Cash and Cash Equivalents at Beginning of Year	<u>720,244</u>	<u>570,523</u>	<u>1,290,767</u>
Cash and Cash Equivalents at End of Year	<u><u>738,257</u></u>	<u><u>1,447,100</u></u>	<u><u>2,185,357</u></u>
<b>Business-Type</b>			
<b>Business-Type</b>			
	<b>Water</b>	<b>Waste- Water</b>	<b>Totals</b>
Reconciliation of Operating Income to Net Cash Provided from Operating Activities			
Operating Income	385,839	1,062,691	1,448,530
Adjustments to Reconcile Net Operating Income to Net Cash Provided from Operating Activities:			
Depreciation	183,198	266,823	450,021
Other Non-Operating Income (Expense)	70,052	(2,351)	67,701
(Increase) Decrease in Assets and Deferred Outflows of Resources:			
Accounts Receivable	(6,735)	(15,500)	(22,235)
Due From Other Governmental Agencies	-	21,873	21,873
Prepaid Expenses	(3,540)	(703)	(4,243)
Net Pension Asset	(37,118)	(37,118)	(74,236)
Pension Related Deferred Outflows	(21,681)	(21,681)	(43,362)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:			
Accounts Payable	42,040	(6,500)	35,540
Customer Deposits	6,631	-	6,631
Accrued Wages	177	177	354
Accrued Taxes	17	17	34
Pension Related Deferred Inflows	47,757	47,757	95,514
Unearned Revenue	-	539,252	539,252
Total Adjustments	<u>280,798</u>	<u>792,046</u>	<u>1,072,844</u>
Net Cash Provided from Operating Activities	<u><u>666,637</u></u>	<u><u>1,854,737</u></u>	<u><u>2,521,374</u></u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</b>			
Cash and Cash Equivalents	22,274	1,046,963	1,069,237
Restricted Cash and Cash Equivalents	715,983	400,137	1,116,120
	<u>\$ 738,257</u>	<u>\$ 1,447,100</u>	<u>\$ 2,185,357</u>

**CITY OF TEA, SOUTH DAKOTA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Proprietary Funds**  
**For the Year Ended December 31, 2020**

	<b>Business-Type</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Totals</b>
Operating Revenues:			
Charges for Services	\$ 1,082,729	\$ 1,528,381	\$ 2,611,110
Operating Expenses:			
Personal Services	141,844	134,346	276,190
Insurance	9,885	4,035	13,920
Professional Services	233	9,717	9,950
Repairs and Maintenance	97,972	28,431	126,403
Supplies and Materials	351,666	22,911	374,577
Utilities	5,285	41,448	46,733
Billing and Administration	18,505	24,224	42,729
Bad Debt	8,010	6,187	14,197
Depreciation	177,109	264,295	441,404
Total Operating Expenses	810,509	535,594	1,346,103
Operating Income (Loss)	272,220	992,787	1,265,007
Non-Operating Income (Expense):			
Interest Income	2,305	7,067	9,372
Rental Income	69,774	-	69,774
Miscellaneous, net	(842)	(6,501)	(7,343)
Interest Expense	(80,925)	(69,917)	(150,842)
Total Non-Operating Income (Expenses)	(9,688)	(69,351)	(79,039)
Income Before Contributions, Special Items and Transfers	262,532	923,436	1,185,968
Transfers In	-	136,855	136,855
Capital Grants and Contributions	104,706	1,021,671	1,126,377
Change in Net Position	367,238	2,081,962	2,449,200
Net Position - Beginning	4,827,099	3,956,020	8,783,119
Prior Period Adjustment	-	2,010,998	2,010,998
Net Position- Beginning as Restated	4,827,099	5,967,018	10,794,117
Net Position - Ending	\$ 5,194,337	\$ 8,048,980	\$ 13,243,317



**CITY OF TEA, SOUTH DAKOTA**  
**STATEMENT OF CASH FLOWS**  
**Proprietary Funds**  
**For the Year Ended December 31, 2020**

	<b>Business-Type</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 956,190	\$ 1,501,129	\$ 2,457,319
Cash Received from Interfund Services Provided	34,038	2,697	36,735
Cash Paid to Suppliers for Goods and Services	(490,860)	(99,204)	(590,064)
Cash Paid to Employees for Services	(134,248)	(126,750)	(260,998)
Other Nonoperating Revenues	69,774	-	69,774
Net Cash Provided from Operating Activities	<u>434,894</u>	<u>1,277,872</u>	<u>1,712,766</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and Construction of Capital Assets	(1,133,861)	(383,821)	(1,517,682)
Proceeds from Bond Issuance	-	3,974,319	3,974,319
Principal Paid on Notes, Bonds and Leases	(158,966)	(5,353,079)	(5,512,045)
Receipts from Other Governments	-	1,021,671	1,021,671
Interest Paid on Notes and Bonds	(81,735)	(33,398)	(115,133)
Net Cash (Used) by Capital and Related Financing Activities	<u>(1,374,562)</u>	<u>(774,308)</u>	<u>(2,148,870)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Due to Other Funds	1,014,760	3,953	1,018,713
Due from Other Governments	-	(655,000)	(655,000)
Transfers In	-	136,855	136,855
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>1,014,760</u>	<u>(514,192)</u>	<u>500,568</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest and Dividends on Investments	2,305	7,067	9,372
Net Cash Provided from Investing Activities	<u>2,305</u>	<u>7,067</u>	<u>9,372</u>
Net Increase (Decrease) in Cash and Cash Equivalents	77,397	(3,561)	73,836
Cash and Cash Equivalents at Beginning of Year	<u>642,847</u>	<u>574,084</u>	<u>1,216,931</u>
Cash and Cash Equivalents at End of Year	<u><u>720,244</u></u>	<u><u>570,523</u></u>	<u><u>1,290,767</u></u>

	<b>Business-Type</b>		
	<b>Water</b>	<b>Waste-Water</b>	<b>Totals</b>
<b>Reconciliation of Operating Income to Net Cash Provided from Operating Activities</b>			
Operating Income	272,220	992,787	1,265,007
Adjustments to Reconcile Net Operating Income to Net Cash Provided from Operating Activities:			
Depreciation	177,109	264,295	441,404
Other Non-Operating Income (Expense)	68,932	(6,501)	62,431
(Increase) Decrease in Assets and Deferred Outflows of Resources:			
Accounts Receivable	6,058	(2,682)	3,376
Due from Other Governmental Agencies	-	(21,873)	(21,873)
Net Pension Asset	178	178	356
Pension Related Deferred Outflows	(9,721)	(9,721)	(19,442)
SDPAA Reserve	126	82	208
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:			
Accounts Payable	1,412	44,168	45,580
Customer Deposits	6,147	-	6,147
Accrued Wages	815	815	1,630
Accrued Taxes	101	101	202
Pension Related Deferred Inflows	16,223	16,223	32,446
Unearned Revenue	(104,706)	-	(104,706)
Total Adjustments	<u>162,674</u>	<u>285,085</u>	<u>447,759</u>
Net Cash Provided from Operating Activities	<u><u>434,894</u></u>	<u><u>1,277,872</u></u>	<u><u>1,712,766</u></u>

**Reconciliation of Cash and Cash Equivalents to the Statement of Net Position**

Cash and Cash Equivalents	26,628	184,526	211,154
Restricted Cash and Cash Equivalents	693,616	385,997	1,079,613
	<u>\$ 720,244</u>	<u>\$ 570,523</u>	<u>\$ 1,290,767</u>

**CITY OF TEA, SOUTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The reporting entity of the City of Tea consists of the primary government (which includes all of the funds, organizations, 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.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City.

The Housing and Redevelopment Commission of the City of Tea, South Dakota (Commission) is a proprietary fund-type, discretely presented component unit. The five members of the Commission are appointed by the Mayor with the approval of the Governing Board for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct a low-income housing unit, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: City of Tea Housing and Redevelopment Commission, PO Box 128, Tea SD 57064.

The City participates in a joint venture with 20 other entities. See Note 11 for specific disclosures. Joint Ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit but are discussed in these notes because of the nature of their relationship with the city.

**B. Basis of Presentation**

*Government-wide Financial Statements:*

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program of 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.

**CITY OF TEA, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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**NOTE 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, deferred outflows or resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the determination of major funds. The City can electively add funds, as major funds, which have specific community focus. The non-major funds are combined into a single column in the fund financial statements.

**Governmental Fund Types** – The governmental fund financial statements are reported using the current financial resources measurement focus. This means that the focus of the governmental funds' measurement is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income.

The City reports the following major governmental funds:

General Fund- The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

Debt Service Fund – 271<sup>st</sup> St. SA Bonds is used to account for special assessment taxes which may be used only for the payment of the debt principal, interest, and related costs of the 271<sup>st</sup> St. Capital Project. This is a major fund in 2020 and 2021.

Capital Project – Gateway BLVD Capital Project Fund is used to account for the use of financial resources to be used for the construction of the Gateway BLVD improvement project. This is a major fund in 2020 and 2021.

**Proprietary Fund Types** – The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expense. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City maintains two business-type activities. The major enterprise funds are listed as follows:

**CITY OF TEA, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Water Fund - Financed primarily by user charges, this fund accounts for the construction and operation of the municipal waterworks system and related facilities. (SDCL 9-47-1) This is a major fund in 2020 and 2021.

Sewer Fund - Financed primarily by user charges, this fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities. (SDCL 9-48-2) This is a major fund in 2020 and 2021.

**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 fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

**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 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, 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 City of Tea, the length of that cycle is 30 days. The revenues which were accrued at December 31, 2021, are taxes receivable, amounts due from other governments for grants, and other receivables due within 30 days.

**CITY OF TEA, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred inflows of resources are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

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

All proprietary and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

**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:

In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

**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 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 Laws (SDCL) 4-5-6.

**F. Capital Assets**

Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position and in the Proprietary Funds Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Machinery and Equipment and Buildings with initial individual costs of \$500 and \$25,000, respectively, or more are considered capital assets. Infrastructure has been capitalized using historical or estimated historical of \$50,000 or more beginning in 1980 required by GASB 34. Depreciation expense is calculated using the straight-line method over the following useful lives:

**CITY OF TEA, SOUTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Improvements other than Buildings	20-100 Years
Buildings	15-50 Years
Machinery and Equipment	4-20 Years

**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, revenue bonds, and special assessment bonds.

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

**H. Program Revenues**

Program revenues derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

**I. Deferred Inflows and Deferred Outflows of Resources**

In addition to assets, the statement of financial position reports a separate section for deferred inflows and 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.

**J. Proprietary Funds Revenue and Expense Classifications**

In the proprietary fund Statement of Revenues, Expenses, and Changes in Net Position, revenues and

**CITY OF TEA, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

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.

**K. Cash and Cash Equivalents**

The City pools the cash resources of its funds for cash management purposes. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

**L. Equity Classifications**

Government-wide Statements:

Equity is classified as net position and is displayed in three components:

1. Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position – Consists of net position with constraints places on their use either by (a) external groups such as creditors, granters, 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 fund balance, and may distinguish between “Restricted”, “Assigned”, and “Unassigned” components. Proprietary fund equity is classified the same as in the government-wide financial statements.

**M. Equity Classifications**

It is the City'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.

**N. 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 City 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 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.

**CITY OF TEA, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

- 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, or committed. Fund Balance may be assigned by the City Council.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

**O. 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. City and net pension liability (asset) are recognized on an accrual basis of accounting.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

The City 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 City's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1, and 9-22-6.2, and may be in the form of demand or time deposits. 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 HomeLoan 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.

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

Interest Rate Risk - The City 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.

Concentration of Investment -The City places no limit on the amount that may be invested in any one issuer.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City's policy is to credit all income from deposits and investments to the fund making the investment.

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



**CITY OF TEA, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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**NOTE 2 – CASH AND CASH EQUIVALENTS – (CONTINUED)**

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	\$ 1,359,299	Debt Service, by debt covenants
271 <sup>st</sup> St. SA Bonds	86,081	Debt Service, by debt covenants
Non-major Governmental	347,562	Debt Service, by debt covenants
Water Fund	715,983	Debt Service, by debt covenants
Sewer Fund	400,137	Debt Service, by debt covenants
	<u>\$ 2,909,062</u>	

**NOTE 3 – RECEIVABLES AND PAYABLES**

Receivables and payables are not aggregated in these financial statements. The City expects all receivables to be collected within one year.

**NOTE 4 – PROPERTY TAXES**

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach an enforceable lien on property and become due and payable as of the following January, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

**CITY OF TEA, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 5 – CAPITAL ASSETS**

A summary of changes in capital assets for the year ended December 31, 2020 is as follows:  
**Primary Government**

	<b>Balance January 1, 2020</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2020</b>
<b>Governmental Activities :</b>				
Capital Assets, not being Depreciated				
Land	\$ 2,289,963	\$ -	\$ -	\$ 2,289,963
Construction in Progress	453,955	2,067,133	54,731	2,466,357
Total Capital Assets, not being Depreciated	<u>2,743,918</u>	<u>2,067,133</u>	<u>54,731</u>	<u>4,756,320</u>
Capital Assets, being Depreciated:				
Buildings	4,221,598	-	-	4,221,598
Improvements, other than Buildings	17,430,451	325,178	-	17,755,629
Machinery and Equipment	2,041,321	31,407	-	2,072,728
Total Capital Assets, being Depreciated.	<u>23,693,370</u>	<u>356,585</u>	<u>-</u>	<u>24,049,955</u>
Less Accumulated Depreciation for:				
Buildings	1,227,458	91,286	-	1,318,744
Improvements, other than Buildings	3,679,807	717,193	-	4,397,000
Machinery and Equipment	1,433,281	118,272	-	1,551,553
Total Accumulated Depreciation	<u>6,340,546</u>	<u>926,751</u>	<u>-</u>	<u>7,267,297</u>
Total Capital Assets being Depreciated, net	<u>17,352,824</u>	<u>(570,166)</u>	<u>-</u>	<u>16,782,658</u>
Governmental Activities Capital Assets, net	<u>\$ 20,096,742</u>	<u>\$ 1,496,967</u>	<u>\$ 54,731</u>	<u>\$ 21,538,978</u>

Construction in progress at December 31, 2020, for the governmental activities consisted of costs associated various street and infrastructure additions and improvements.

	<b>Balance January 1, 2020</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2020</b>
<b>Business-type Activities :</b>				
Capital Assets, not being Depreciated				
Land	\$ 285,768	\$ -	\$ -	\$ 285,768
Construction in Progress	6,158,277	2,182,738	913,378	7,427,637
Total Capital Assets, not being Depreciated	<u>6,444,045</u>	<u>2,182,738</u>	<u>913,378</u>	<u>7,713,405</u>
Capital Assets, being Depreciated:				
Buildings	50,000	913,378	-	963,378
Improvements, other than Buildings	12,576,652	-	-	12,576,652
Intangible Asset	2,927,110	-	-	2,927,110
Machinery and Equipment	195,211	52,187	-	247,398
Total Capital Assets, being Depreciated.	<u>15,748,973</u>	<u>965,565</u>	<u>-</u>	<u>16,714,538</u>
Less Accumulated Depreciation for:				
Buildings	27,652	13,694	-	41,346
Improvements, other than Buildings	3,329,412	356,784	-	3,686,196
Intangible Asset	658,068	58,542	-	716,610
Machinery and Equipment	129,142	12,384	-	141,526
Total Accumulated Depreciation	<u>4,144,274</u>	<u>441,404</u>	<u>-</u>	<u>4,585,678</u>
Total Capital Assets being Depreciated, net	<u>11,604,699</u>	<u>524,161</u>	<u>-</u>	<u>12,128,860</u>
Business-type Activities Capital Assets, net	<u>\$ 18,048,744</u>	<u>\$ 2,706,899</u>	<u>\$ 913,378</u>	<u>\$ 19,842,265</u>

Construction in progress at December 31, 2020, for the business-type activities consisted of costs associated various infrastructure additions and improvements.

**CITY OF TEA, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 5 – CAPITAL ASSETS – (CONTINUED)**

A summary of changes in capital assets for the year ended December 31, 2021 is as follows:

**Primary Government**

	<b>Balance January 1, 2021</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2021</b>
<b>Governmental Activities:</b>				
Capital Assets, not being Depreciated				
Land	\$ 2,289,963	\$ -	\$ -	\$ 2,289,963
Construction in Progress	2,466,357	11,834,720	-	14,301,077
Total Capital Assets, not being Depreciated	<u>4,756,320</u>	<u>11,834,720</u>	<u>-</u>	<u>16,591,040</u>
Capital Assets, being Depreciated:				
Buildings	4,221,598	-	-	4,221,598
Improvements, other than Buildings	17,755,629	94,272	-	17,849,901
Machinery and Equipment	2,072,728	225,273	-	2,298,001
Total Capital Assets, being Depreciated.	<u>24,049,955</u>	<u>319,545</u>	<u>-</u>	<u>24,369,500</u>
Less Accumulated Depreciation for:				
Buildings	1,318,744	91,285	-	1,410,029
Improvements, other than Buildings	4,397,000	677,274	-	5,074,274
Machinery and Equipment	1,551,553	120,481	-	1,672,034
Total Accumulated Depreciation	<u>7,267,297</u>	<u>889,040</u>	<u>-</u>	<u>8,156,337</u>
Total Capital Assets being Depreciated, net	<u>16,782,658</u>	<u>(569,495)</u>	<u>-</u>	<u>16,213,163</u>
Governmental Activities Capital Assets, net	<u>\$ 21,538,978</u>	<u>\$ 11,265,225</u>	<u>\$ -</u>	<u>\$ 32,804,203</u>

Construction in progress at December 31, 2021, for the governmental activities consisted of costs associated various street and infrastructure additions and improvements.

	<b>Balance January 1, 2021</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2021</b>
<b>Business-type Activities:</b>				
Capital Assets, not being Depreciated				
Land	\$ 285,768	\$ -	\$ -	\$ 285,768
Construction in Progress	7,427,637	6,812,501	-	14,240,138
Total Capital Assets, not being Depreciated	<u>7,713,405</u>	<u>6,812,501</u>	<u>-</u>	<u>14,525,906</u>
Capital Assets, being Depreciated:				
Buildings	963,378	-	-	963,378
Improvements, other than Buildings	12,576,652	-	-	12,576,652
Intangible Asset	2,927,110	-	-	2,927,110
Machinery and Equipment	247,398	-	-	247,398
Total Capital Assets, being Depreciated.	<u>16,714,538</u>	<u>-</u>	<u>-</u>	<u>16,714,538</u>
Less Accumulated Depreciation for:				
Buildings	41,346	19,783	-	61,129
Improvements, other than Buildings	3,686,196	356,670	-	4,042,866
Intangible Asset	716,610	58,542	-	775,152
Machinery and Equipment	141,526	15,026	-	156,552
Total Accumulated Depreciation	<u>4,585,678</u>	<u>450,021</u>	<u>-</u>	<u>5,035,699</u>
Total Capital Assets being Depreciated, net	<u>12,128,860</u>	<u>(450,021)</u>	<u>-</u>	<u>11,678,839</u>
Business-type Activities Capital Assets, net	<u>\$ 19,842,265</u>	<u>\$ 6,362,480</u>	<u>\$ -</u>	<u>\$ 26,204,745</u>

Construction in progress at December 31, 2021, for the business-type activities consisted of costs associated various infrastructure additions and improvements.

**CITY OF TEA, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 5 – CAPITAL ASSETS – (CONTINUED)**

Depreciation expense was charged to functions/programs of the primary government as follows in 2020:

Governmental Activities:	
Public Safety	\$ 13,797
Public Works	447,294
Culture and Recreation	411,380
General Government	<u>54,280</u>
Total depreciation expense - Governmental Activities	<u>\$ 926,751</u>
Business-Type Activities	
Water	\$ 177,109
Sewer	<u>264,295</u>
Total depreciation expense - Business-Type Activities	<u>\$ 441,404</u>

Depreciation expense was charged to functions/programs of the primary government as follows in 2021:

Governmental Activities:	
Public Safety	\$ 13,848
Public Works	454,468
Culture and Recreation	368,992
General Government	<u>51,732</u>
Total depreciation expense - Governmental Activities	<u>\$ 889,040</u>
Business-Type Activities	
Water	\$ 183,198
Sewer	<u>266,823</u>
Total depreciation expense - Business-Type Activities	<u>\$ 450,021</u>

Reconciliation of Net Investment in Capital Assets:

	Governmental Activities	Business-type Activities
Land	\$ 2,289,963	\$ 285,768
Construction in Progress	14,301,077	14,240,138
Capital Assets (net of accumulated depreciation)	16,213,163	11,678,839
Less: Revenue Bonds	<u>11,650,433</u>	<u>10,985,652</u>
Net Investment in Capital Assets	<u>\$ 21,153,770</u>	<u>\$ 15,219,093</u>

**CITY OF TEA, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 6 – LONG-TERM DEBT**

A summary of the changes in long-term debt for the year ended December 31, 2020 is as follows.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Bonds Payable:					
General Obligation	\$ 200,000	\$ -	\$ 100,000	\$ 100,000	\$ 100,000
Sales Tax Revenue	4,195,000	-	230,000	3,965,000	260,000
Special Assessments	1,690,000	-	120,000	1,570,000	115,000
Governmental Activity Long-Term Liabilities	<u>\$ 6,085,000</u>	<u>\$ -</u>	<u>\$ 450,000</u>	<u>\$ 5,635,000</u>	<u>\$ 475,000</u>
<b>Business-Type Activities:</b>					
Bonds Payable:					
State Revolving Funds (Direct Borrowing)	\$ 2,212,703	\$ 3,974,319	\$ 230,816	\$ 5,956,206	\$ 238,383
USDA Bonds (Direct Borrowing)	1,032,800	-	39,323	993,477	40,938
Notes Payable (Direct Borrowing)	5,241,904	-	5,241,904	-	-
Business-type Activity Long-Term Liabilities	<u>\$ 8,487,407</u>	<u>\$ 3,974,319</u>	<u>\$ 5,512,043</u>	<u>\$ 6,949,683</u>	<u>\$ 279,321</u>

A summary of the changes in long-term debt for the year ended December 31, 2021 is as follows.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Bonds Payable:					
General Obligation	\$ 100,000	\$ -	\$ 100,000	\$ -	\$ -
Sales Tax Revenue	3,965,000	6,010,000	260,000	9,715,000	425,000
Bond Premium	-	482,040	1,607	480,433	-
Special Assessments	1,570,000	-	115,000	1,455,000	115,000
Governmental Activity Long-Term Liabilities	<u>\$ 5,635,000</u>	<u>\$ 6,492,040</u>	<u>\$ 476,607</u>	<u>\$ 11,650,433</u>	<u>\$ 540,000</u>
<b>Business-Type Activities:</b>					
Bonds Payable:					
State Revolving Funds (Direct Borrowing)	\$ 5,956,206	\$ 4,307,639	\$ 230,467	\$ 10,033,378	\$ 290,243
USDA Bonds (Direct Borrowing)	993,477	-	41,203	952,274	42,893
Business-type Activity Long-Term Liabilities	<u>\$ 6,949,683</u>	<u>\$ 4,307,639</u>	<u>\$ 271,670</u>	<u>\$ 10,985,652</u>	<u>\$ 333,136</u>

**CITY OF TEA, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 6 – LONG-TERM DEBT – (CONTINUED)**

Bonds Payable

A summary of the City's December 31, 2021 bonded indebtedness is as follows:

	Date of Issue	Interest Rates	Final Due Date	Fund Paid	Annual Payments	Amount Originally Issued	Outstanding December 31, 2021
<b>Revenue Bonds:</b>							
2019 Sales Tax	2019	2.00-3.60%	2038	General	\$55,000-\$125,000	\$ 1,825,000	\$ 1,520,000
2019 Sales Tax	2019	1.85-3.375%	2039	General	60,000-130,000	1,985,000	1,845,000
2013 Sales Tax	2013	1.00-4.20%	2025	General	15,000-90,000	905,000	340,000
2021 Sales Tax	2021	3.00-4.00%	2046	Capital Project	160,000-335,000	6,010,000	6,010,000
2019 Special Assessment	2019	2.15-4.00%	2038	Debt Service	35,000-105,000	880,000	735,000
2010 Special Assessment	2010	1.00-5.25%	2030	Debt Service	100,000-195,000	1,585,000	720,000
<b>Revenue Bonds (Direct Borrowing):</b>							
2003 Clean Water State Revolving Loan	2003	3.50%	2024	Sewer	34,553	789,790	82,367
2007 Clean Water State Revolving Loan	2007	3.25%	2029	Sewer	53,681	858,000	345,489
2007 Drinking Water State Revolving Loan	2007	3.25%	2028	Water	154,372	2,263,723	869,965
2010 Clean Water State Revolving Loan	2010	3.00%	2031	Sewer	56,339	605,000	453,599
2020 Clean Water State Revolving Loan	2020	2.21%	2052	Sewer	46,856	4,147,615	4,147,615
2021 Drinking Water State Revolving Loan	2021	2.13%	2051	Water	8,920	790,000	790,000
2021 Drinking Water State Revolving Loan	2021	2.13%	2053	Water	21,943	1,942,343	1,942,343
2021 Clean Water State Revolving Loan	2021	2.13%	2052	Sewer	15,830	1,402,000	1,402,000
2007 USDA Drinking Water Revenue Bond	2007	4.375%	2038	Water	62,892	1,175,000	733,582
1993 USDA Drinking Water Revenue Bond	1993	5.625%	2033	Water	11,052	173,000	90,569
1997 USDA Drinking Water Revenue Bond	1997	5.375%	2037	Water	\$12,384	200,000	128,123
Total Revenue Bonds						<u>\$27,536,471</u>	<u>\$ 22,155,652</u>

The State Revolving Loans, the USDA Revenue Bonds, and note to Sioux Falls are direct borrowings. All contracts state that in an event of default, all or a portion of the outstanding balance may become immediately due.

Annual debt service requirements to maturity for all debt outstanding as of December 31, 2021 are as follows:

Year Ending December 31,	Governmental Activities		Business-Type Activities	
	Revenue Bonds		Revenue Bonds - Direct Borrowing	
	Principal	Interest	Principal	Interest
2022	\$ 540,000	\$ 308,491	\$ 333,136	\$ 327,480
2023	560,000	296,473	487,641	329,276
2024	560,000	279,528	496,604	245,588
2025	580,000	262,410	493,571	231,344
2026	490,000	244,538	508,034	216,882
2027-2031	2,565,000	987,919	1,964,342	891,462
2032-2036	2,250,000	663,695	1,600,406	663,341
2037-2041	2,030,000	382,520	1,489,640	466,786
2042-2046	1,595,000	146,250	1,564,244	306,734
2047-2051	-	-	1,739,347	131,633
2052-2053	-	-	308,687	4,286
	<u>\$ 11,170,000</u>	<u>\$ 3,571,824</u>	<u>\$ 10,985,652</u>	<u>\$ 3,814,812</u>

**CITY OF TEA, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 7 – RESTRICTED NET POSITION**

Restricted net position for the year ended December 31, 2021 was as follows:

Major Purposes:			
Debt Service - External Creditors	\$	4,941,705	
Capital Improvements - Enabling Legislation		967,778	
Total Major Purposes		<u>5,909,483</u>	\$ 5,909,483
Other Purposes:			
SDRS Pension	\$	129,120	
Total Other Purposes		<u>129,120</u>	
Total Restricted Net Position			<u>\$ 6,038,603</u>

**NOTE 8 – INTERFUND TRANSFERS**

The following is a summary of transfers between funds for the years ended December 31, 2020 and 2021, respectively:

		2020			
		Transfer Out			
		General		Total	
Transfer In				Transfer In	
Sewer Fund	\$	136,855	\$	136,855	
Nonmajor Governmental		345,496		345,496	
Total Transfer Out	\$	<u>482,351</u>	\$	<u>482,351</u>	
		2021			
		Transfer Out			
		General	Gateway BLVD Capital Project	Nonmajor Governmental	Total Transfer In
Transfer In					
Sewer Fund	\$	133,684	\$ -	\$ -	\$ 133,684
General		-	291,624	58,326	349,950
Total Transfer Out	\$	<u>133,684</u>	\$ 291,624	\$ 58,326	<u>\$ 483,634</u>

Transfers are used to:

- 1) Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
- 2) To use unrestricted revenues collected in the general fund to finance various programs account for in other funds in accordance with budgetary authorizations.

**NOTE 9 – RISK MANAGEMENT**

The city is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2021, the city managed its risks as follows:

**CITY OF TEA, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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**NOTE 9 – RISK MANAGEMENT – (CONTINUED)**

Employee Health Insurance:

The city purchases health insurance for its employees from a commercial insurance carrier. Settled results from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The Municipality's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for torts, thefts, errors and omissions, automobile, and general liability.

Effective October 5, 2021, the SDPAA adopted a new policy on member departures. Departing Members will no longer be eligible for any partial refund of the calculated portion of their contributions which was previously allowed. The prior policy provided the departing Member with such a partial refund because the departing Member took sole responsibility for all claims and claims expenses whether reported or unreported at the time of their departure from the SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing Member pursuant to the revised IGC.

The City reflected the effects of the new SDPAA policy in the financial statements as a Special Item in the Statement of Activities and the Fund Operating Statements and also eliminated the reporting of the Deposit on the Statement of Net Position and Fund Balance Sheet.

A member who withdraws from the SDPAA shall receive a calculated portion of their contributions refunded for unpaid casualty losses, based on the following schedule:

The City carries a \$500 deductible for the official's liability; \$2,000 deductible for law enforcement liability coverage; zero deductible for general liability; \$250 deductible for buildings, contents, miscellaneous property and EDP hardware; automobile liability with \$100 deductible for comprehensive and \$250 deductible for auto collision.

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

Worker's Compensation:

The city joined the South Dakota Municipal League Workers Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on the behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual



**CITY OF TEA, SOUTH DAKOTA  
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**NOTE 9 – RISK MANAGEMENT – (CONTINUED)**

premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance, which covers up to an additional \$2,000,000 per individual per incident.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Unemployment Benefits:

The city provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

**NOTE 10 – 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 survivors 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://www.sdrs.sd.gov/publications/> 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.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement 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 earnings based on investment returns

**CITY OF TEA, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 10 – PENSION PLAN – (CONTINUED)**

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 Adjustment.

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee’s contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City’s share of contributions to the SDRS for the years ended 2021, 2020, and 2019 were \$73,520, \$72,476, and \$63,866, respectively, equal to the required contributions each year.

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

At June 30, 2021, SDRS is 105.53% 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 City as of the measurement period ending June 30, 2021 and reported by the City as of December 31, 2021 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 7,464,683
Less: proportionate share Net Pension restricted for pension benefits	7,876,951
Proportionate share of net pension liability (asset)	\$ (412,268)

At December 31, 2021, the City reported an (asset) of \$(412,268) 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 City’s share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the City’s proportion was 0.05383300%, which is an increase of .0008120% from its proportion measured as of June 30, 2020.

**CITY OF TEA, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 10 – PENSION PLAN – (CONTINUED)**

For the year ended December 31, 2020, the City recognized pension expense of \$78,161. For the year ended December 31, 2021, the City recognized pension (revenue) of (\$120,894). At December 31, 2021 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience	\$ 14,802	\$ 1,081
Changes in assumption	474,105	206,458
Net Difference between projected and actual earnings on pension plan investments	-	588,934
Changes in Proportion and difference between City contributions and proportionate share of contributions	19	13,234
City contributions subsequent to the measurement date	37,633	-
<b>TOTAL</b>	<b>\$ 526,559</b>	<b>\$ 809,707</b>

\$37,633 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension (revenue) as follows:

<b><u>Year Ending December 31</u></b>	
2022	\$ (83,572)
2023	(55,965)
2024	(15,567)
2025	(165,677)
Total	\$ (320,781)

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 percent
Salary Increases	Graded by years of service, from 6.5% at entry to 3.00% after 25 years of service
Discount Rate	6.5 percent 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 percent

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

**CITY OF TEA, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 10 – PENSION PLAN – (CONTINUED)**

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	<u>2.0%</u>	0.9%
Total	<u>100%</u>	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

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

The following presents the City’s proportionate share of net pension asset calculated using the discount rate of 6.5 percent, as well as what the City’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.5%) or 1-percentage point higher (7.5%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City’s proportionate share of the net pension liability (asset)	\$ 667,566	\$ (412,268)	\$(1,288,843)

Pension Plan Fiduciary Net Position:

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

**CITY OF TEA, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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**NOTE 11 – JOINTLY GOVERNED ORGANIZATION**

The City is a member of the Lewis and Clark Regional Water System Inc. (The “System”). The System, in conjunction with the following municipalities and water systems, provide drinking water to consumers.

	<u>South Dakota</u>	<u>Minnesota</u>	<u>Iowa</u>
Beresford	Minnehaha CWC	Lincoln-Pipestone RWS	Hull
Centerville	Parker	Luverne	Rock Rapids
Harrisburg	Sioux Falls	Rock County RWS	Sheldon
Lennox	South Lincoln RWS	Worthington	Sibley
Lincoln County RWS	Tea		Sioux Center
Madison			

The System will collect, treat, and distribute drinking water to the entities involved upon completion. The System’s board of directors is comprised of 20 members, one from each participating entity. Under the articles of incorporation, no member has a residual equity interest.

The City entered into an amended agreement with the System to provide 1.1 million gallons of drinking water per day to ensure that future water supply needs of the City can be met. In all, it is estimated that the City of Tea’s share of the \$529.3 (July 2007 dollars) System project is currently \$2.8 million, in July 2007 dollars. The City’s investment to date of \$2.8 million is recorded in the Water Enterprise Fund as an intangible asset. The City’s prepayment was financed by the issuance of Drinking Water Revenue Bonds, Series 2007. Any remaining cost share above the prepayment amount will be made as part of a true-up upon completion of the project. The actual commitment costs may be higher due to cost indexing, construction over-runs and decreases in federal funding. The City is capitalizing an intangible asset to recognize the upfront payment to the System for the future option to purchase water. Such asset will be amortized over the estimated lifespan upon the receipt of benefits from the System.

**NOTE 12 – PLEDGED REVENUES**

The City has pledged future water customers' revenues, net of specified operating expenses, to repay \$4,554,582 in water system revenue bonds. Proceeds from the bonds provided financing for the construction of water system infrastructure.

The bonds are payable solely from water customer net revenues and are payable through 2053. Annual principal and interest payments on the bonds are expected to require less than 90% of net revenues. The total principal and interest remaining to be paid on the bonds is \$6,089,259. Principal and interest paid for the current year and total customer net revenue were \$243,928 and \$385,839, respectively.

The bonds are payable solely from sewer customer and net revenues and are payable through 2052. Annual principal and interest payments on the bonds are expected to require less than 90% of net revenues. The total principal and interest remaining to be paid on the bonds is \$8,711,205. Principal and interest paid for the current year and total customer net revenues were \$135,934 and \$1,062,691, respectively.

**CITY OF TEA, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 13 – INTERFUND RECEIVABLES AND PAYABLES**

As of December 31, 2021, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General Fund	Non-major Governmental Fund	\$ 18,500 *
General Fund	Non-major Governmental Fund	45,670 *
General Fund	Non-major Governmental Fund	150,000 *
Sewer	Water Fund	450,000 *
General Fund	Water Fund	243,643 *
General Fund	Sewer Fund	16,755 *
		<u>\$ 924,568</u>

\* The purpose of this interfund balance is to finance short-term cash flow shortages.

**NOTE 14 – CONDUIT DEBT**

In the past, the City has issued revenue bonds to provide financial assistance to certain entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the entity served by the bond issuance. Neither the City, the State of South Dakota, nor any other political subdivision of the State is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2021, there were three series of conduit bonds outstanding, with an aggregate unpaid principal amount of \$2,147,564.

**NOTE 15 – DEBT GUARANTEE**

The City has guaranteed 25% of the original amounts of debt issued by the City's component unit, The Tea Housing and Redevelopment Commission. As of December 31, 2021 the amount guaranteed by the City is a maximum of \$830,000

**NOTE 16 – DEFICIT FUND EQUITY**

The City has two funds with deficit equity balance at December 31, 2021. The City intends to finance this deficit fund equity with transfers from the General Fund. The individual fund deficits were as follows:

TIF #2 .....	\$ 18,500
Hagedorn Infrastructure Project .....	\$ 155,038

**NOTE 17 – CONSTRUCTION COMMITMENT**

The City has entered into contracts totaling \$25,836,681 for street construction, law enforcement center, and other various improvements. As of December 31, 2021, costs of \$16,183,480 had been incurred against the contracts. The balance of \$8,443,931 remaining at December 31, 2021 will be paid as work on the projects progress.

**CITY OF TEA, SOUTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 18 – RECLASSIFICATION/PRIOR PERIOD ADJUSTMENT**

Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities, was implemented during fiscal year 2020. The new requirements change the definition of fiduciary activity and establish new financial reporting requirements for state and local governments which report fiduciary activity. Beginning net position/fund balance for the General fund, Governmental Activities and Fiduciary Activities was restated to retroactively report the change in net position. In the prior year financial statements, the Sewer Fund was understated and the Governmental Activities was overstated. A loan was originally reported in the sewer fund but should have been included in governmental activities. Adjustments were recorded to correct this error. The effects of the net position are as follows:

	General Fund	Governmental Activities	Fiduciary Activities	Sewer Fund	Business-Type Activities
Fund Balance/Net Position					
December 31, 2019, as previously reported	\$ 2,739,801	\$ 21,363,449	\$ 25,341	3,956,020	8,783,119
Changes to implement GASBS No. 84	25,341	25,341	(25,341)	-	-
Loan Adjustment	-	(2,010,998)	-	2,010,998	2,010,998
Fund Balance/Net Position					
January 1, 2020, as restated	<u>\$ 2,765,142</u>	<u>\$ 19,377,792</u>	<u>\$ -</u>	<u>\$ 5,967,018</u>	<u>\$ 10,794,117</u>

**NOTE 19 – SUBSEQUENT EVENTS**

On September 2, 2022 the City issued \$8,394,000 in a Clean Water Revenue Bond to pay for the Wastewater Pump Station and other Sewer Facilities. The bond has a 30-year term, with an interest rate of 2.125%. A sanitary sewer surcharge is being used to finance the bond.

**NOTE 20 – VIOLATIONS OF FINANCE-RELATED LEGAL REQUIREMENTS**

The City is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents disbursements exceeding the amounts budgeted for 2020 and 2021.

	Year End 2020		Year End 2021
General Fund		General Fund	
Debt Service	\$ 9,360	Libraries	\$ 4,583
Debt Service Fund		Special Revenue Fund	
271st St. SA Bonds	\$ 600	Tax 3rd Penny	\$ 7,410

We will continue to review monthly expenditures to budget reports and make supplemental appropriations as time is available at year end.

**NOTE 21 – PROSPECTIVE ACCOUNTING CHANGE**

The Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending December 31, 2022. The revised requirements of this statement will require reporting of certain potentially significant lease liabilities that are not currently reported.

**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF TEA, SOUTH DAKOTA**  
**SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACUTAL**  
**General Fund**  
**For the Year Ended December 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes - Current Property	\$ 2,269,165	\$ 2,269,165	\$ 2,246,587	\$ (22,578)
Taxes - Sales and Other	2,002,000	2,002,000	2,550,075	548,075
Licenses and Permits	98,600	98,600	187,105	88,505
Intergovernmental	90,600	90,600	285,778	195,178
Charges for Service	131,450	131,450	159,820	28,370
Fines and Forfeits	1,000	1,000	1,183	183
Interest	22,000	22,000	927	(21,073)
Contributions	10,000	10,000	2,860	(7,140)
Miscellaneous	35,600	35,600	102,786	67,186
Total Revenues	<u>4,660,415</u>	<u>4,660,415</u>	<u>5,537,121</u>	<u>876,706</u>
<b>Expenditures:</b>				
<b>General Government:</b>				
Legislative	129,475	37,975	22,099	15,876
Executive	134,650	134,650	129,402	5,248
Elections	850	850	19	831
Financial Administration	220,900	220,900	205,377	15,523
Other	221,300	221,300	205,399	15,901
Total General Government	<u>707,175</u>	<u>615,675</u>	<u>562,296</u>	<u>53,379</u>
<b>Public Safety:</b>				
Police Department	2,272,900	2,272,900	1,782,547	490,353
Fire Department	140,100	140,100	83,946	56,154
Total Public Safety	<u>2,413,000</u>	<u>2,413,000</u>	<u>1,866,493</u>	<u>546,507</u>
<b>Public Works:</b>				
Highways and Streets	667,250	752,250	746,420	5,830
Sanitation	1,000	7,500	7,141	359
Total Public Works	<u>668,250</u>	<u>759,750</u>	<u>753,561</u>	<u>6,189</u>

(continued)

**CITY OF TEA, SOUTH DAKOTA**  
**SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACUTAL**  
**General Fund**  
**For the Year Ended December 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Culture and Recreation:				
Recreation	226,150	226,150	155,503	70,647
Libraries	20,900	20,900	25,483	(4,583)
Total Culture and Recreation	<u>247,050</u>	<u>247,050</u>	<u>180,986</u>	<u>66,064</u>
Community Development:				
Economic Development and Assistance	356,450	356,450	339,928	16,522
Total Community and Development	<u>356,450</u>	<u>356,450</u>	<u>339,928</u>	<u>16,522</u>
Health and Welfare				
Health	10,000	10,000	4,092	5,908
Total Health and Welfare	<u>10,000</u>	<u>10,000</u>	<u>4,092</u>	<u>5,908</u>
Debt Service	378,024	381,024	381,024	--
Total Expenditures	<u>4,779,949</u>	<u>4,782,949</u>	<u>4,088,380</u>	<u>694,569</u>
Excess of Revenues over Expenditures	<u>(119,534)</u>	<u>(122,534)</u>	<u>1,448,741</u>	<u>1,571,275</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	--	349,950	349,950
Operating Transfers (Out)	(3,225,000)	(3,225,000)	(133,684)	3,091,316
Proceeds from Sale of Uncapital Assets	-	-	12,051	12,051
Total Other Financing Sources (Uses)	<u>(3,225,000)</u>	<u>(3,225,000)</u>	<u>228,317</u>	<u>3,453,317</u>
Special Item:				
Change in SDPAA Reserve	-	-	(57,074)	(57,074)
Excess (Deficiency) of Revenues over Expenditures and Other Uses	<u>(3,344,534)</u>	<u>(3,347,534)</u>	<u>1,619,984</u>	<u>4,967,518</u>
Fund Balances at Beginning of Year	<u>4,417,749</u>	<u>4,417,749</u>	<u>4,417,749</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 1,073,215</u>	<u>\$ 1,070,215</u>	<u>\$ 6,037,733</u>	<u>\$ 4,967,518</u>

**CITY OF TEA, SOUTH DAKOTA**  
**SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACUTAL**  
**General Fund**  
**For the Year Ended December 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Taxes - Current Property	\$ 1,893,536	\$ 1,893,536	\$ 1,897,115	\$ 3,579
Taxes - Sales and Other	1,714,500	1,714,500	2,198,878	484,378
Special Assessments	-	-	272,805	272,805
Licenses and Permits	87,300	87,300	189,055	101,755
Intergovernmental	97,200	97,200	626,020	528,820
Charges for Service	117,000	117,000	118,302	1,302
Fines and Forfeits	1,800	1,800	701	(1,099)
Interest	17,000	17,000	4,232	(12,768)
Contributions	5,000	5,000	19,175	14,175
Miscellaneous	46,000	46,000	81,597	35,597
Total Revenues	<u>3,979,336</u>	<u>3,979,336</u>	<u>5,407,880</u>	<u>1,428,544</u>
<b>Expenditures:</b>				
<b>General Government:</b>				
Legislative	90,096	90,096	27,757	62,339
Executive	132,505	132,505	125,217	7,288
Elections	850	850	-	850
Financial Administration	197,870	197,870	162,933	34,937
Other	695,300	695,300	356,704	338,596
Total General Government	<u>1,116,621</u>	<u>1,116,621</u>	<u>672,611</u>	<u>444,010</u>
<b>Public Safety:</b>				
Police Department	972,500	972,500	743,805	228,695
Fire Department	80,985	139,290	139,274	16
Total Public Safety	<u>1,053,485</u>	<u>1,111,790</u>	<u>883,079</u>	<u>228,711</u>
<b>Public Works:</b>				
Highways and Streets	295,750	495,750	437,654	58,096
Sanitation	2,000	2,000	-	2,000
Total Public Works	<u>297,750</u>	<u>497,750</u>	<u>437,654</u>	<u>60,096</u>

(continued)

**CITY OF TEA, SOUTH DAKOTA**  
**SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACUTAL**  
**General Fund**  
**For the Year Ended December 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Culture and Recreation:				
Recreation	584,100	764,100	696,595	67,505
Libraries	20,700	20,700	17,908	2,792
Total Culture and Recreation	<u>604,800</u>	<u>784,800</u>	<u>714,503</u>	<u>70,297</u>
Community Development:				
Economic Development and Assistance	191,680	231,680	190,738	40,942
Total Community and Development	<u>191,680</u>	<u>231,680</u>	<u>190,738</u>	<u>40,942</u>
Health and Welfare				
Health	10,000	10,000	7,920	2,080
Total Health and Welfare	<u>10,000</u>	<u>10,000</u>	<u>7,920</u>	<u>2,080</u>
Debt Service	367,335	367,335	376,695	(9,360)
Total Expenditures	<u>3,641,671</u>	<u>4,119,976</u>	<u>3,283,200</u>	<u>836,776</u>
Excess of Revenues over Expenditures	<u>337,665</u>	<u>(140,640)</u>	<u>2,124,680</u>	<u>2,265,320</u>
Other Financing Sources (Uses):				
Proceeds From Sale of Capital Assets	-	-	10,278	10,278
Operating Transfers (Out)	-	-	(482,351)	(482,351)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(472,073)</u>	<u>(472,073)</u>
Excess (Deficiency) of Revenues over Expenditures and Other Uses	337,665	(140,640)	1,652,607	1,793,247
Fund Balances at Beginning of Year	<u>2,739,801</u>	<u>2,739,801</u>	<u>2,739,801</u>	<u>-</u>
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>25,341</u>	<u>(25,341)</u>
Fund Balances at Beginning of Year, as restated	<u>2,739,801</u>	<u>2,739,801</u>	<u>2,765,142</u>	<u>(25,341)</u>
Fund Balances at End of Year	<u>\$ 3,077,466</u>	<u>\$ 2,599,161</u>	<u>\$ 4,417,749</u>	<u>\$ 1,767,906</u>

**CITY OF TEA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedules of Budgetary comparisons for the General Fund with a legal required budget**

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board/City Commission introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board/City Commission, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by the resolution of the Governing Board/City Commission to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year-end unless encumbered by the resolution of the Governing Board/City Commission.

Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, special revenue fund, and capital projects funds.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund, special revenue funds and capital project funds.
7. Budgets for the General Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America (USGAAP).

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 fire truck 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 fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

**CITY OF TEA, SOUTH DAKOTA**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**  
**South Dakota Retirement System**

Last 10 Fiscal Years \*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Municipality's proportion of the net pension liability (asset)	0.0395925%	0.0383046%	0.0370589%	-0.0393732%
Municipality's proportionate share of net pension liability (asset)	\$ (285,248)	\$ (162,461)	\$ 125,181	\$ (3,573)
Municipality's covered payroll	\$ 640,197	\$ 612,533	\$ 617,389	\$ 703,311
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	44.56%	26.52%	20.28%	0.51%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.3%	104.1%	96.9%	100.1%
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Municipality's proportion of the net pension liability (asset)	-0.0439486%	-0.0459198%	-0.0530210%	-0.0538330%
Municipality's proportionate share of net pension liability (asset)	\$ (1,025)	\$ (4,866)	\$ (2,303)	\$ (412,269)
Municipality's covered payroll	\$ 799,389	\$ 853,753	\$ 1,011,681	\$ 1,069,155
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.13%	0.57%	0.23%	38.56%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.0%	100.1%	100.0%	105.5%

\* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**CITY OF TEA, SOUTH DAKOTA**  
**SCHEDULE OF THE CITY CONTRIBUTIONS**  
**South Dakota Retirement System**

Last 10 Years \*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 40,891	\$ 45,884	\$ 49,956	\$ 56,843
Contributions in relation to the contractually required contribution	<u>40,891</u>	<u>45,884</u>	<u>49,956</u>	<u>56,843</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Municipality's covered payroll	\$ 598,571	\$ 672,541	\$ 737,117	\$ 830,642
Contributions as a percentage of covered payroll	6.83%	6.82%	6.78%	6.84%
	<u>2019</u>	<u>2020</u>	<u>2021</u>	
Contractually required contribution	\$ 63,866	\$ 72,476	\$ 73,520	
Contributions in relation to the contractually required contribution	<u>63,866</u>	<u>72,476</u>	<u>73,520</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Municipality's covered payroll	\$ 931,844	\$ 1,058,553	\$ 1,085,360	
Contributions as a percentage of covered payroll	6.85%	6.85%	6.77%	

\* Due to an auditor change, the information is not available for fiscal years 2012-2014

**CITY OF TEA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**for the Year Ended December 31, 2021**  
**Schedule of the Proportionate Share of the Net pension Liability (Asset) and**  
**Schedule of Pension Contributions**

**Changes from Prior Valuation:**

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

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

**Benefit Provision Changes:**

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

**Actuarial Assumption Changes:**

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

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

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



**SUPPLEMENTARY INFORMATION**

**CITY OF TEA, SOUTH DAKOTA  
COMBINING BALANCE SHEET  
Governmental Nonmajor Funds  
December 31, 2021**

	Special Revenue				Debt Service	
	Tax 3rd Penny	Storm Drainage II	TIF #1	TIF #2	Street Maintenance Assessment	Aquatic Complex
<b>Assets</b>						
Cash and Cash Equivalents	\$ 163,755	\$ 286,905	\$ 18,782	\$ -	\$ 17,225	\$ -
Receivables (Net where applicable, of allowance for uncollectibles):						
Taxes	-	-	-	-	-	1,688
Special Assessments	-	1,922	-	-	13,006	-
Due from Other Governmental Agencies	6,913	-	-	-	-	-
Restricted Assets:						
Cash and Cash Equivalents	-	-	-	-	-	91,500
Total Assets	<u>170,668</u>	<u>288,827</u>	<u>18,782</u>	<u>-</u>	<u>30,231</u>	<u>93,188</u>
<b>Liabilities</b>						
Accounts Payable	209	11,040	-	-	-	-
Due to Other Funds	-	-	-	18,500	-	45,670
Total Liabilities	<u>209</u>	<u>11,040</u>	<u>-</u>	<u>18,500</u>	<u>-</u>	<u>45,670</u>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue- property taxes	-	-	-	-	-	766
Unavailable revenue- special assessments	-	984	-	-	7,792	-
Total Deferred Inflows of Resources	<u>-</u>	<u>984</u>	<u>-</u>	<u>-</u>	<u>7,792</u>	<u>766</u>
<b>Fund Balances</b>						
Reserved for:						
Restricted:						
Debt Service	-	-	-	-	-	46,752
Capital Improvement	170,459	276,803	18,782	-	22,439	-
Assigned:						
Capital Projects	-	-	-	-	-	-
Unassigned	-	-	-	(18,500)	-	-
Total Fund Balances	<u>170,459</u>	<u>276,803</u>	<u>18,782</u>	<u>(18,500)</u>	<u>22,439</u>	<u>46,752</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 170,668</u>	<u>\$ 288,827</u>	<u>\$ 18,782</u>	<u>\$ -</u>	<u>\$ 30,231</u>	<u>\$ 93,188</u>

Debt Service		Capital Project			Total
Highway 111 Special Assessment Debt Service Fund	2003 N Half Brian/N. Main Assessments	272nd Extension Project	Hagedorn Infrastructure Project	Total Governmental Nonmajor Funds	
\$ 112,755	\$ 89,351	\$ 193,407	\$ 3,049	\$ 885,229	
-	-	-	-	1,688	
204,819	-	-	-	219,747	
-	-	-	-	6,913	
256,062	-	-	-	347,562	
573,636	89,351	193,407	3,049	1,461,139	
-	-	3,116	8,087	22,452	
-	-	-	150,000	214,170	
-	-	3,116	158,087	236,622	
-	-	-	-	766	
204,818	-	-	-	213,594	
204,818	-	-	-	214,360	
368,818	89,351	-	-	504,921	
-	-	-	-	488,483	
-	-	190,291	-	190,291	
-	-	-	(155,038)	(173,538)	
368,818	89,351	190,291	(155,038)	1,010,157	
\$ 573,636	\$ 89,351	\$ 193,407	\$ 3,049	\$ 1,461,139	

**CITY OF TEA, SOUTH DAKOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**Governmental Nonmajor Funds**  
**For the Year Ended December 31, 2021**

	Special Revenue				Debt Service	
	Tax 3rd Penny	Storm Drainage II	TIF #1	TIF #2	Street Maintenance Assessment	Aquatic Complex
Revenue:						
Taxes	\$ -	\$ -	\$ 37,282	\$ -	\$ -	\$ 105,047
Sales and Other Taxes	110,961	-	-	-	-	-
Special Assessments	-	49,564	-	-	248,455	-
Charges for Services	53,561	-	-	-	-	-
Interest on Investments	147	353	-	-	232	222
Miscellaneous	2,165	-	-	-	-	-
Total Revenue	<u>166,834</u>	<u>49,917</u>	<u>37,282</u>	<u>-</u>	<u>248,687</u>	<u>105,269</u>
Expenditures:						
Current:						
Public Works	-	18,527	-	18,500	230,986	-
Culture and Recreation	138,410	-	-	-	-	-
Capital Outlay:						
Public Works	-	-	-	-	-	-
Debt Service	-	-	-	-	-	105,200
Total Expenditures	<u>138,410</u>	<u>18,527</u>	<u>-</u>	<u>18,500</u>	<u>230,986</u>	<u>105,200</u>
Excess (Deficiency) of Revenues over Expenditures	<u>28,424</u>	<u>31,390</u>	<u>37,282</u>	<u>(18,500)</u>	<u>17,701</u>	<u>69</u>
Other Financing Sources (Uses):						
Issuance of Debt	-	-	-	-	-	-
Premium on Bond	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	28,424	31,390	37,282	(18,500)	17,701	69
Fund Balances - Beginning of Year	142,035	245,413	(18,500)	-	4,738	46,683
Fund Balances- End of Year	<u>\$ 170,459</u>	<u>\$ 276,803</u>	<u>\$ 18,782</u>	<u>\$ (18,500)</u>	<u>\$ 22,439</u>	<u>\$ 46,752</u>

Debt Service		Capital Project			Total
Highway 111 Special Assessment Debt Service Fund	2003 N Half Brian/N. Main Assessments	272nd Extension Project	Hagedorn Infrastructure Project	Governmental Nonmajor Funds	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 142,329
-	-	-	-	-	110,961
36,444	-	-	-	-	334,463
-	-	-	-	-	53,561
395	86	-	-	-	1,435
-	-	-	-	-	2,165
36,839	86	-	-	-	644,914
-	-	-	-	-	268,013
-	-	-	-	-	138,410
-	-	816,408	155,038	-	971,446
109,525	-	20,317	-	-	235,042
109,525	-	836,725	155,038	-	1,612,911
(72,686)	86	(836,725)	(155,038)	-	(967,997)
-	-	1,005,000	-	-	1,005,000
-	-	80,342	-	-	80,342
-	-	(58,326)	-	-	(58,326)
-	-	1,027,016	-	-	1,027,016
(72,686)	86	190,291	(155,038)	-	59,019
441,504	89,265	-	-	-	951,138
\$ 368,818	\$ 89,351	\$ 190,291	\$ (155,038)	\$ -	\$ 1,010,157

**CITY OF TEA, SOUTH DAKOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**Governmental Nonmajor Funds**  
**For the Year Ended December 31, 2020**

	Special Revenue			Debt Service	
	Tax 3rd Penny	Storm Drainage II	TIF #1	Street Maintenance Assessment	Aquatic Complex
Revenue:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 109,570
Sales and Other Taxes	94,378	-	-	-	-
Special Assessments	-	50,220	-	87,119	-
Interest on Investments	225	748	-	158	364
Contributions	-	20,000	-	-	-
Total Revenue	<u>94,603</u>	<u>70,968</u>	<u>-</u>	<u>87,277</u>	<u>109,934</u>
Expenditures:					
Current:					
Public Works	-	37,359	18,500	425,357	-
Culture and Recreation	8,648	-	-	-	-
Debt Service	-	-	-	-	109,700
Total Expenditures	<u>8,648</u>	<u>37,359</u>	<u>18,500</u>	<u>425,357</u>	<u>109,700</u>
Excess (Deficiency) of Revenues over Expenditures	<u>85,955</u>	<u>33,609</u>	<u>(18,500)</u>	<u>(338,080)</u>	<u>234</u>
Other Financing Sources (Uses):					
Transfers In	-	-	-	340,000	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>340,000</u>	<u>-</u>
Net Change in Fund Balance	85,955	33,609	(18,500)	1,920	234
Fund Balances - Beginning of Year	<u>56,080</u>	<u>211,804</u>	<u>-</u>	<u>2,818</u>	<u>46,449</u>
Fund Balances- End of Year	<u>\$ 142,035</u>	<u>\$ 245,413</u>	<u>\$ (18,500)</u>	<u>\$ 4,738</u>	<u>\$ 46,683</u>

Debt Service		Capital Project		Governmental
Highway 111 Special	2003 N Half Brian/N.	271st St. Capital		Nonmajor
Assessment Debt	Main Assessments	Project Fund		Funds
Service Fund				
\$ -	\$ -	\$ -	\$ -	\$ 109,570
-	-	-	-	94,378
51,022	-	-	-	188,361
1,114	225	-	-	2,834
-	-	-	-	20,000
52,136	225	-	-	415,143
-	-	-	-	481,216
-	-	-	-	8,648
112,675	-	-	-	222,375
112,675	-	-	-	712,239
(60,539)	225	-	-	(297,096)
-	-	5,496	-	345,496
-	-	5,496	-	345,496
(60,539)	225	5,496	-	48,400
502,043	89,040	(5,496)	-	902,738
\$ 441,504	\$ 89,265	\$ -	\$ -	\$ 951,138

**CITY OF TEA, SOUTH DAKOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Tax 3rd Penny			TIF #1		
	Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes:						
General Sales & Use	\$ 75,000	\$ 110,961	\$ 35,961	\$ -	\$ -	\$ -
Property Tax	-	-	-	-	37,282	37,282
Intergovernmental	-	-	-	-	-	-
Charges for goods & services	55,000	53,561	(1,439)	-	-	-
Special Assessments	-	-	-	-	-	-
Miscellaneous	1,000	2,165	1,165	-	-	-
Interest on Investments	-	147	147	-	-	-
Total revenue	<u>131,000</u>	<u>166,834</u>	<u>35,834</u>	<u>-</u>	<u>37,282</u>	<u>37,282</u>
<b>EXPENDITURES</b>						
Current:						
Public works	-	-	-	14,989	-	14,989
Culture and Recreation	131,000	138,410	(7,410)	-	-	-
Total Expenditures	<u>131,000</u>	<u>138,410</u>	<u>(7,410)</u>	<u>14,989</u>	<u>-</u>	<u>14,989</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>28,424</u>	<u>28,424</u>	<u>(14,989)</u>	<u>37,282</u>	<u>52,271</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>28,424</u>	<u>28,424</u>	<u>(14,989)</u>	<u>37,282</u>	<u>52,271</u>
Fund balances - Beginning		<u>142,035</u>			<u>(18,500)</u>	
Fund balances - Ending		<u>\$ 170,459</u>			<u>\$ 18,782</u>	



TIF #2			Storm Drainage II			Street Maintenance Assessment		
Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	372,640	-	(372,640)	-	-	-
-	-	-	55,360	-	(55,360)	-	-	-
-	-	-	-	49,564	49,564	-	248,455	248,455
-	-	-	50,000	-	(50,000)	210,000	-	(210,000)
-	-	-	-	353	353	-	232	232
-	-	-	478,000	49,917	(428,083)	210,000	248,687	38,687
18,500	18,500	-	478,000	18,527	459,473	500,000	230,986	269,014
-	-	-	-	-	-	-	-	-
18,500	18,500	-	478,000	18,527	459,473	500,000	230,986	269,014
(18,500)	(18,500)	-	-	31,390	31,390	(290,000)	17,701	307,701
-	-	-	-	-	-	290,000	-	(290,000)
-	-	-	-	-	-	290,000	-	(290,000)
(18,500)	(18,500)	-	-	31,390	31,390	-	17,701	17,701
-	-	-	-	245,413	-	-	4,738	-
\$ (18,500)			\$ 276,803			\$ 22,439		

**CITY OF TEA, SOUTH DAKOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**CAPITAL PROJECT FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>Gateway BLVD Capital Project</b>		
	<b>Final Budgeted</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Special Assessments	\$ -	\$ 145,862	\$ 145,862
Intergovernmental	8,800,000	6,690,243	(2,109,757)
Miscellaneous	5,500,000	-	(5,500,000)
Total revenue	14,300,000	6,836,105	(7,463,895)
<b>EXPENDITURES</b>			
Capital Outlay			
Public Works	15,000,000	9,836,977	5,163,023
Debt Service	-	101,585	(101,585)
Total expenditures	15,000,000	9,938,562	5,061,438
Excess (deficiency) of revenues over (under) expenditures	(700,000)	(3,102,457)	(2,402,457)
<b>OTHER FINANCING SOURCES</b>			
Premium on Bond	-	401,698	401,698
Bond Proceeds	-	5,005,000	5,005,000
Transfers (out)	-	(291,624)	(291,624)
Transfer in	700,000	-	(700,000)
Total other financing sources	700,000	5,115,074	4,415,074
Net change in fund balances	-	2,012,617	2,012,617
Fund balances - beginning		(1,542,098)	
Fund balances - ending		\$ 470,519	

272nd Extension Project			Hagedorn Infrastructure Project		
Final Budgeted	Actual	Variance Favorable (Unfavorable)	Final Budgeted	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,660,000	816,408	2,843,592	2,500,000	155,038	2,344,962
-	20,317	(20,317)	-	-	-
<u>3,660,000</u>	<u>836,725</u>	<u>2,823,275</u>	<u>2,500,000</u>	<u>155,038</u>	<u>2,344,962</u>
<u>(3,660,000)</u>	<u>(836,725)</u>	<u>2,823,275</u>	<u>(2,500,000)</u>	<u>(155,038)</u>	<u>2,344,962</u>
-	80,342	80,342	-	-	-
2,125,000	1,005,000	(1,120,000)	2,500,000	-	(2,500,000)
-	(58,326)	(58,326)	-	-	-
<u>1,535,000</u>	<u>-</u>	<u>(1,535,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,660,000</u>	<u>1,027,016</u>	<u>(2,632,984)</u>	<u>2,500,000</u>	<u>-</u>	<u>(2,500,000)</u>
<u>-</u>	<u>190,291</u>	<u>190,291</u>	<u>-</u>	<u>(155,038)</u>	<u>(155,038)</u>
	-			-	
	<u>\$ 190,291</u>			<u>\$ (155,038)</u>	

**CITY OF TEA, SOUTH DAKOTA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
DEBT SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>271st St. SA Bonds Debt Serive</u>			<u>Aquatic Complex</u>		
	<u>Final Budgeted</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Final Budgeted</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Taxes:						
General Sales & Use	\$ -	\$ -	\$ -	\$ 105,200	\$ 105,047	\$ (153)
Special Assessments	-	65,299	65,299	-	-	-
Miscellaneous	71,880	-	(71,880)	-	-	-
Interest on Investments	-	204	204	-	222	222
Total revenue	<u>71,880</u>	<u>65,503</u>	<u>(6,377)</u>	<u>105,200</u>	<u>105,269</u>	<u>69</u>
EXPENDITURES						
Current:						
Debt Service	71,880	71,880	-	105,200	105,200	-
Total Expenditures	<u>71,880</u>	<u>71,880</u>	<u>-</u>	<u>105,200</u>	<u>105,200</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(6,377)</u>	<u>(6,377)</u>	<u>-</u>	<u>69</u>	<u>69</u>
Net change in fund balances	<u>-</u>	<u>(6,377)</u>	<u>(6,377)</u>	<u>-</u>	<u>69</u>	<u>69</u>
Fund balances - Beginning		<u>154,414</u>			<u>46,683</u>	
Fund balances - Ending		<u>\$ 148,037</u>			<u>\$ 46,752</u>	

<u>Highway 111 Special Assessment Debt Service Fund</u>			<u>2003 N Half Brian/N. Main Assessments</u>		
<u>Final Budgeted</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Final Budgeted</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	36,444	36,444	-	-	-
38,000	-	(38,000)	-	-	-
-	395	395	-	86	86
<u>38,000</u>	<u>36,839</u>	<u>(1,161)</u>	<u>-</u>	<u>86</u>	<u>86</u>
109,525	109,525	-	-	-	-
<u>109,525</u>	<u>109,525</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(71,525)</u>	<u>(72,686)</u>	<u>(1,161)</u>	<u>-</u>	<u>86</u>	<u>86</u>
<u>(71,525)</u>	<u>(72,686)</u>	<u>(1,161)</u>	<u>-</u>	<u>86</u>	<u>86</u>
	<u>441,504</u>			<u>89,265</u>	
\$ <u>368,818</u>			\$ <u>89,351</u>		

**CITY OF TEA, SOUTH DAKOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Tax 3rd Penny			TIF #1		
	Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes:						
General Sales & Use	\$ 75,000	\$ 94,378	\$ 19,378	\$ -	\$ -	\$ -
Charges for goods & services	55,000	-	\$ (55,000)	-	-	-
Miscellaneous	1,000	-	(1,000)	-	-	-
Interest on Investments from Private Sources	-	225	225	-	-	-
Total revenue	<u>131,000</u>	<u>94,603</u>	<u>(36,397)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>						
Current:						
Public works	-	-	-	18,500	18,500	-
Culture and Recreation	106,700	8,648	98,052	-	-	-
Total Expenditures	<u>106,700</u>	<u>8,648</u>	<u>98,052</u>	<u>18,500</u>	<u>18,500</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>24,300</u>	<u>85,955</u>	<u>61,655</u>	<u>(18,500)</u>	<u>(18,500)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>24,300</u>	<u>85,955</u>	<u>61,655</u>	<u>(18,500)</u>	<u>(18,500)</u>	<u>-</u>
Fund balances - Beginning		<u>56,080</u>			<u>-</u>	
Fund balances - Ending		<u>\$ 142,035</u>			<u>\$ (18,500)</u>	

Storm Drainage II			Street Maintenance Assessment		
Final Budgeted	Actual	Variance Positive (Negative)	Final Budgeted	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
50,000	50,220	220	80,000	87,119	7,119
-	-	-	-	-	-
-	748	748	-	158	158
-	20,000	20,000	-	-	-
<u>50,000</u>	<u>70,968</u>	<u>20,968</u>	<u>80,000</u>	<u>87,277</u>	<u>7,277</u>
50,000	37,359	12,641	500,000	425,357	74,643
-	-	-	-	-	-
<u>50,000</u>	<u>37,359</u>	<u>12,641</u>	<u>500,000</u>	<u>425,357</u>	<u>74,643</u>
-	33,609	33,609	(420,000)	(338,080)	81,920
-	-	-	420,000	340,000	(80,000)
-	-	-	420,000	340,000	(80,000)
-	33,609	33,609	-	1,920	1,920
	<u>211,804</u>			<u>2,818</u>	
\$	<u><u>245,413</u></u>		\$	<u><u>4,738</u></u>	

**CITY OF TEA, SOUTH DAKOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**CAPITAL PROJECT FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>271ST Street Capital Project Fund</u>			<u>Gateway BLVD Capital Project</u>		
	<u>Final Budgeted</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Final Budgeted</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES						
Special Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES						
Capital Outlay						
Public Works	-	-	-	2,000,000	1,542,098	457,902
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>	<u>1,542,098</u>	<u>457,902</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,000,000)</u>	<u>(1,542,098)</u>	<u>457,902</u>
OTHER FINANCING SOURCES						
Transfer in	-	5,496	5,496	-	-	-
Total other financing sources	<u>-</u>	<u>5,496</u>	<u>5,496</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>5,496</u>	<u>5,496</u>	<u>(2,000,000)</u>	<u>(1,542,098)</u>	<u>457,902</u>
Fund balances - beginning		<u>(5,496)</u>			<u>-</u>	
Fund balances - ending		<u>\$ -</u>			<u>\$ (1,542,098)</u>	



**CITY OF TEA, SOUTH DAKOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**DEBT SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>271st St. SA Bonds Debt Service</u>			<u>Aquatic Complex</u>		
	<u>Final Budgeted</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Final Budgeted</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>						
Taxes:						
General Sales & Use	\$ -	\$ -	\$ -	\$ 109,700	\$ 109,570	\$ (130)
Special Assessments	77,355	227,343	149,988	-	-	-
Interest on Investments	-	270	270	-	364	364
Total revenue	<u>77,355</u>	<u>227,613</u>	<u>150,258</u>	<u>109,700</u>	<u>109,934</u>	<u>234</u>
<b>EXPENDITURES</b>						
Current:						
Debt Service	<u>77,355</u>	<u>77,955</u>	<u>(600)</u>	<u>109,700</u>	<u>109,700</u>	<u>-</u>
Total Expenditures	<u>77,355</u>	<u>77,955</u>	<u>(600)</u>	<u>109,700</u>	<u>109,700</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>149,658</u>	<u>150,858</u>	<u>-</u>	<u>234</u>	<u>234</u>
Net change in fund balances	<u>-</u>	<u>149,658</u>	<u>150,858</u>	<u>-</u>	<u>234</u>	<u>234</u>
Fund balances - Beginning		<u>4,756</u>			<u>46,449</u>	
Fund balances - Ending		<u>\$ 154,414</u>			<u>\$ 46,683</u>	

<u>Highway 111 Special Assessment Debt Service Fund</u>			<u>2003 N Half Brian/N. Main Assessments</u>		
<u>Final Budgeted</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Final Budgeted</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
39,984	51,022	11,038	-	-	-
-	1,114	1,114	-	225	225
<u>39,984</u>	<u>52,136</u>	<u>12,152</u>	<u>-</u>	<u>225</u>	<u>225</u>
112,675	112,675	-	-	-	-
<u>112,675</u>	<u>112,675</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(72,691)	(60,539)	12,152	-	225	225
<u>(72,691)</u>	<u>(60,539)</u>	<u>12,152</u>	<u>-</u>	<u>225</u>	<u>225</u>
	502,043			89,040	
\$	<u>441,504</u>		\$	<u>89,265</u>	

**CITY OF TEA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
TWO YEARS ENDED DECEMBER 31, 2021**

<b>Federal Grantor/Pass-Through Grantor Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>2021 Amount</b>	<b>2020 Amount</b>
<b>Direct:</b>				
<b>US Department of Transportation:</b>				
Fiscal Year 2018 Build Transportation Discretionary Grant	20.933	2021	\$ 8,023,548	\$ -
<b>Indirect:</b>				
<b>US Department of Transportation:</b>				
Passed through SD Department of Public Safety Highway Safety Cluster: State and Community Highway Safety	20.600	2021, 2020	4,239	5,643
<b>U.S. Department of Treasury:</b>				
Passed through the South Dakota Department of Treasury COVID-19 - Coronavirus Aid, Relief and Economic Security (CARES) Act	21.019	2020	-	527,139
<b>U.S. Environmental Protection Agency:</b>				
Passed through the South Dakota Department of Environmental Quality: Capitalization Grants for Clean Water State Revolving Funds	66.458	2020	-	1,187,167
<b>Total Expenditures of Federal Awards</b>			<u>\$ 8,027,787</u>	<u>\$ 1,719,949</u>

**CITY OF TEA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**TWO YEARS ENDED DECEMBER 31, 2021**

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**Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City of Tea under programs of the federal government for the two years ended December 31, 2021. 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 the City of Tea, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Municipality.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the cash 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 City of Tea has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance

**Note 3: Federal Loan Program**

The City of Tea had the following loan balances outstanding from the SD Clean Water State Revolving Fund, Assistance Listing #66.458 and the SD Clean Water State Revolving Fund, Assistance Listing #66.458 for two years ended December 31, 2021.

	Total Amount of Loan Outstanding	Federal Portion of Loan Outstanding 2021	Federal Portion of Loan Outstanding 2020
Clean Water Series 2020 (2.21%)	\$ 4,147,615	\$ 1,187,167	\$ 1,187,167
Clean Water Series 2021 (2.13%)	1,402,000	-	-
Drinking Water Series 2021 (2.13%)	790,000	-	-
Drinking Water Series 2021 (2.13%)	1,942,343	-	-
	\$ 8,281,958	\$ 1,187,167	\$ 1,187,167



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**Independent Auditors' 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**

Honorable Members of the City Council  
City of Tea, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tea, South Dakota as of December 31, 2021 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 19, 2023.

**Report on Internal Control Over Financial Reporting:**

In planning and performing our audit of the financial statements, we considered the City of Tea's internal control over financial reporting (internal control) to determine the 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 City of Tea's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Tea's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs, item 2021-001 we consider to be a material weakness.

## **Report on Compliance and Other Matters:**

As part of obtaining reasonable assurance about whether the City of Tea's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **City of Tea's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Tea's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of Tea's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City'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.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.

*Williams & Company P.C.*  
Certified Public Accountants

Le Mars, Iowa  
June 19, 2023



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Members of the City Council  
City of Tea, South Dakota

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of Tea, South Dakota's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Tea, South Dakota's major federal programs for the biennial period ended December 31, 2021. The City of Tea, South Dakota's major federal programs are identified in the summary of independent auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Tea, South Dakota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the biennial period ended December 31, 2021.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United State of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Tea, South Dakota 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 City of Tea, South Dakota'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 grant agreements applicable to the City of Tea, South Dakota's federal programs.

## **Auditors' 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 City of Tea, South Dakota'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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Tea, South Dakota's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 City of Tea, South Dakota's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Tea, South Dakota'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 City of Tea, South Dakota'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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report on compliance for each major federal program are matters of public record and their distribution is not limited.

*Williams & Company P.C.*  
Certified Public Accountants

Le Mars, Iowa  
June 19, 2023

**CITY OF TEA, SOUTH DAKOTA**  
**Schedule of Findings and Questioned Costs**  
**For Two Years Ended December 31, 2021**

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**Part I: Summary of the Independent Auditors' Results**

- (a) A modified opinion was issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No significant deficiencies or material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with the Uniform Guidance.
- (g) The major programs were as follows:
  - 20.933 – Build Transportation Discretionary Grant
  - 66.458 – Capitalization Grants for Clean Water State Revolving Funds
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Tea did not qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements Reported in Accordance with Government Auditing Standards**

**Instances of Non-Compliance:**

No matters were noted.

**Material Weakness:**

**2021-001 Financial Reporting**

Condition - During the audit, we identified material adjustments required to be made to the City's financial statements. Adjustments were made by the City to properly include these changes to the financial statements.

Criteria – The City is responsible for the accuracy of the financial statements.

Effect – Expenses/Expenditures/Revenues may not be properly reported and/or balance sheet amounts may be misstated.

Cause – Due to the limited number of employees, the City does not have sufficient controls in place to ensure that all entries are properly recorded and that all other applicable adjustments are made.

Recommendation – The City should implement procedures to ensure all entries are identified and included in the City's financial statements and that any required adjustments are made.

Response – We will double check the financial statements in the future and all supporting schedules to verify that all adjustments are made properly.

**CITY OF TEA, SOUTH DAKOTA**  
**Schedule of Findings and Questioned Costs**  
**For Two Years Ended December 31, 2021**

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**Part III: Findings Related to Federal Awards – Related to all Federal Programs**

**Instances of Non-Compliance:**

No matters were noted.

**Material Weaknesses:**

No matters were noted.



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**CITY OF TEA, SOUTH DAKOTA  
Schedule of Prior Year Findings  
For the Two Years Ended December 31, 2021**

**FINANCIAL STATEMENT AUDIT:  
Instances of Non-Compliance:**

No matters were noted

**Significant Deficiency:**

**2019-001      Financial Reporting**

Condition and Criteria – During the audit, we identified material adjustments required to be made to the City’s financial statements. Adjustments were made by the City to properly include these changes to the financial statements.

Effect – Expenses/Expenditures/Revenues may not be properly reported and/or balance sheet amounts may be misstated.

Cause – Due to the limited number of employees, the City does not have sufficient controls in place to ensure that all entries are properly recorded and that all other applicable adjustments are made.

Recommendation – The City should implement procedures to ensure all entries are identified and included in the City’s financial statements and that any required adjustments are made.

Views of Responsible Officials – We will double check the financial statements in the future and all supporting schedules to verify that all adjustments are made properly.

Current Status – The condition still exists.



**Schedule of Findings and Questioned Costs  
Corrective Action Plan  
December 31, 2021**

The City of Tea, South Dakota, respectfully submits the following corrective action plan for the year ended December 31, 2021.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended December 31, 2021.

The finding from the December 31, 2021 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

**MATERIAL WEAKNESS:**

2021-001 Financial Reporting

Condition - During the audit, we identified material adjustments required to be made to the City's financial statements. Adjustments were made by the City to properly include these changes to the financial statements.

Criteria – The City is responsible for the accuracy of the financial statements.

Effect – Expenses/Expenditures/Revenues may not be properly reported and/or balance sheet amounts may be misstated.

Cause – Due to the limited number of employees, the City does not have sufficient controls in place to ensure that all entries are properly recorded and that all other applicable adjustments are made.

Recommendation – The City should implement procedures to ensure all entries are identified and included in the City's financial statements and that any required adjustments are made.

Response – We will double check the financial statements in the future and all supporting schedules to verify that all adjustments are made properly.

If the involved agencies have any questions regarding this plan, please call Dawn Murphy at 605-498-5193.

Sincerely yours,

CITY OF TEA, SOUTH DAKOTA

Dawn Murphy  
Finance Officer