

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2020

Board Members:

Paula Haiwick, President
Jennifer Semmler
Kristi Effling
Rod Domke
Jim Stephenson
Amy Hoffman
Paul Knox

Superintendent:

Quinton Cermak

Business Manager:

Jennifer Farstveet

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

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KOHLMAN, BIERSCHBACH & ANDERSON, LLP
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WITH AN OFFICE IN
MOBRIDGE, SOUTH DAKOTA

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

School Board
Highmore-Harrold School District No 34-2
Hyde County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Highmore-Harrold School District No 34-2, South Dakota (School District), as of June 30, 2020, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 28, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as items #2020-01, #2020-02, and #2020-03 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

School District's Response to Findings

The School District's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District'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.

Kohlerman, Bierschbach & Anderson, LLP

October 28, 2020

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2020

PRIOR AUDIT FINDINGS:

Finding #2019-01

A material weakness was reported for a lack of segregation of duties for cash, revenues, inventory, receivables, capital assets, deferred outflows, debt, deferred inflows, accounts payable, equity, payroll, contracts and benefits payable, and trust and agency accounts' receipts and disbursements, which could result in errors not being found in a timely manner. This finding is restated as current audit finding #2020-01.

Finding #2019-02

The School District does not have an internal control system designed to provide for the preparation of the annual financial statements including required footnotes and disclosures, in accordance with generally accepted accounting principles, being audited. As auditors, we were requested to draft the financial statements. This comment is restated as current audit finding #2020-02.

Finding #2019-03

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls and, therefore, could have resulted in a material misstatement of the School District's financial statements. This comment is restated as current audit finding #2020-03.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
SCHEDULE OF CURRENT AUDIT FINDINGS
JUNE 30, 2020

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2020-01

Criteria

Internal control can help the School District achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting and it can help ensure that the School District complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties for cash, revenues, inventory, receivables, capital assets, deferred outflows, debt, deferred inflows, accounts payable, equity, payroll, contracts and benefits payable, and trust and agency accounts' receipts and disbursements, which could result in errors not being found in a timely manner. This comment has been carried forward in every audit.

Cause

The School District only has 2 employees preparing all the accounting records, so proper segregation of duties for all areas has not been achieved.

Effect

This comment is the result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal controls.

Recommendation

We recommend the board take a more active role in their oversight of cash, revenues, inventory, receivables, capital assets, deferred outflows, debt, deferred inflows, accounts payable, equity, payroll, contracts and benefits payable, and trust and agency accounts' receipts and disbursements.

Views of Responsible Officials

Paula Haiwick is the contact person responsible for the corrective action plan for this comment. The School District has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for cash, revenues, inventory, receivables, capital assets, deferred outflows, debt, deferred inflows, accounts payable, equity, payroll, contracts and benefits payable, and trust and agency accounts' receipts and disbursements. The School District is aware of this problem and is attempting to provide compensating controls by having the board president sign off on monthly bank statements, ACH's and direct deposits before they occur. This action will also be in place for the business manager and assistant business manager. However, this lack of segregation of duties regarding cash, revenues, inventory, receivables, capital assets, deferred outflows, debt, deferred inflows, accounts payable, equity, payroll, contracts and benefits payable, and trust and agency accounts' receipts and disbursements continues to exist.

Finding #2020-02

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
SCHEDULE OF CURRENT AUDIT FINDINGS
JUNE 30, 2020
(Continued)

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

Condition Found

The School District does not have an internal control system designed to provide for the preparation of the annual financial statements including required footnotes and disclosures, in accordance with generally accepted accounting principles, being audited. As auditors, we were requested to draft the financial statements.

Cause

The School District was not able to prepare the annual financial statements, so they requested assistance to ensure that they were properly prepared.

Effect

This condition may affect the School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials

Paula Haiwick is the contact person responsible for the corrective action plan for this comment. She stated that they understand that due to the small staff size, there will be concerns over internal control. The School District doesn't believe the concern validates the cost of additional staff.

Finding #2020-03

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles (GAAP).

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls and, therefore, could have resulted in a material misstatement of the School District's financial statements.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
SCHEDULE OF CURRENT AUDIT FINDINGS
JUNE 30, 2020
(Continued)

Cause

The School District had some adjustments that needed to be made in order to get their accounting records in accordance with GAAP.

Effect

This condition may affect the School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials

Paula Haiwick is the contact person responsible for the corrective action plan for this comment. She stated that they understand that due to the small staff size, there will be concerns over internal control. The School District doesn't believe the concern validates the cost of additional staff.

COMPLIANCE AND OTHER MATTERS:

There are no written compliance and other matters audit findings to report.

Closing Conference

The contents of this report were discussed with Paula Haiwick, Quinton Cermak, and Jennifer Farstveit on August 6, 2020.

KOHLMAN, BIERSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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WITH AN OFFICE IN
MOBRIDGE, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT

School Board
Highmore-Harrold School District No 34-2
Hyde County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Highmore-Harrold School District No 34-2, South Dakota (School District), as of June 30, 2020, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 Highmore-Harrold School District No 34-2, South Dakota, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of School District Pension Contributions and the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) on pages 44 through 52, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining nonmajor fund financial statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 nonmajor fund financial statements 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 October 28, 2020, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and

the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.

Kohlman, Bierschbach & Anderson, LLP

October 28, 2020

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS:			
Cash and cash equivalents	\$ 2,433,940	\$ 6,754	\$ 2,440,694
Investments	2,964,522	--	2,964,522
Taxes receivable	1,464,980	--	1,464,980
Inventories	2,880	4,752	7,632
Other assets	216,026	10,192	226,218
Net pension asset	8,369	391	8,760
Capital assets:			
Land, improvements and construction in progress	58,834	--	58,834
Other capital assets, net of depreciation	<u>7,450,069</u>	<u>34,838</u>	<u>7,484,907</u>
TOTAL ASSETS	<u>14,599,620</u>	<u>56,927</u>	<u>14,656,547</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	<u>433,257</u>	<u>21,641</u>	<u>454,898</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>433,257</u>	<u>21,641</u>	<u>454,898</u>
LIABILITIES:			
Accounts payable	72,377	2,307	74,684
Other current liabilities	278,609	14,259	292,868
Unearned revenue	--	6,753	6,753
Noncurrent Liabilities:			
Due within one year	5,679	--	5,679
Due in more than one year	<u>2,023,114</u>	--	<u>2,023,114</u>
TOTAL LIABILITIES	<u>2,379,779</u>	<u>23,319</u>	<u>2,403,098</u>
DEFERRED INFLOWS OF RESOURCES:			
Taxes levied for future period	1,566,820	--	1,566,820
Pension related deferred inflows	<u>170,190</u>	<u>8,269</u>	<u>178,459</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,737,010</u>	<u>8,269</u>	<u>1,745,279</u>
NET POSITION:			
Net investment in capital assets	5,508,903	34,838	5,543,741
Restricted for:			
Capital outlay purposes	2,556,118	--	2,556,118
Special education purposes	420,104	--	420,104
Debt service purposes	1,693,499	--	1,693,499
SDRS pension purposes	271,436	13,762	285,198
Unrestricted (Deficit)	<u>466,028</u>	<u>(1,620)</u>	<u>464,408</u>
TOTAL NET POSITION	<u>\$10,916,088</u>	<u>\$46,980</u>	<u>\$10,963,068</u>

The notes to the financial statements are an integral part of this statement.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- Type Activities	Total
Primary Government:							
Governmental Activities:							
Instruction	\$2,065,782	\$ 340	\$192,787	\$33,321	\$(1,839,334)		\$(1,839,334)
Support services	1,351,617	--	4,777	--	(1,346,840)		(1,346,840)
*Interest on long-term debt	31,530	--	--	--	(31,530)		(31,530)
Cocurricular activities	<u>177,300</u>	<u>17,069</u>	<u>--</u>	<u>--</u>	<u>(160,231)</u>		<u>(160,231)</u>
Total Governmental Activities	<u>3,626,229</u>	<u>17,409</u>	<u>197,564</u>	<u>33,321</u>	<u>(3,377,935)</u>		<u>(3,377,935)</u>
Business-Type Activities:							
Food service	142,102	56,084	77,979	--		\$(8,039)	(8,039)
Preschool	61,906	7,976	4,619	--		(49,311)	(49,311)
Drivers education	<u>4,479</u>	<u>3,250</u>	<u>--</u>	<u>--</u>		<u>(1,229)</u>	<u>(1,229)</u>
Total Business-Type Activities	<u>208,487</u>	<u>67,310</u>	<u>82,598</u>	<u>--</u>		<u>(58,579)</u>	<u>(58,579)</u>
Total Primary Government	<u>\$3,834,716</u>	<u>\$84,719</u>	<u>\$280,162</u>	<u>\$33,321</u>	<u>(3,377,935)</u>	<u>(58,579)</u>	<u>(3,436,514)</u>
General Revenues:							
Taxes:							
Property taxes					3,138,948	--	3,138,948
Utility taxes					144,827	--	144,827
Revenue from state sources:							
State aid					62,793	--	62,793
Other					109,199	--	109,199
Revenue from federal sources							
Grants and contributions not restricted to specific programs					500	--	500
Unrestricted investment earnings					47,723	--	47,723
Other general revenues					24,979	--	24,979
Transfers					<u>(45,000)</u>	<u>45,000</u>	<u>--</u>
Total General Revenues and Transfers					<u>3,498,406</u>	<u>45,000</u>	<u>3,543,406</u>
CHANGE IN NET POSITION					120,471	(13,579)	106,892
NET POSITION - BEGINNING					<u>10,795,617</u>	<u>60,559</u>	<u>10,856,176</u>
NET POSITION - ENDING					<u>\$10,916,088</u>	<u>\$46,980</u>	<u>\$10,963,068</u>

* The School District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

The notes to the financial statements are an integral part of this statement.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption (Debt Service) Fund	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 602,969	\$1,140,795	\$ 11,199	\$ 678,977	\$2,433,940
Investments	--	1,439,811	510,189	1,014,522	2,964,522
Taxes receivable - current	666,909	458,004	277,916	--	1,402,829
Taxes receivable - delinquent	29,554	30,078	2,519	--	62,151
Accounts receivable, net	--	--	1,833	--	1,833
Due from agency fund	350	--	--	--	350
Due from federal government	15,376	32,821	--	--	48,197
Due from state government	88,440	--	--	--	88,440
Due from county government	56,387	--	--	--	56,387
Inventory of supplies	2,880	--	--	--	2,880
Prepaid expenses	<u>20,819</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>20,819</u>
TOTAL ASSETS	<u>\$1,483,684</u>	<u>\$3,101,509</u>	<u>\$803,656</u>	<u>\$1,693,499</u>	<u>\$7,082,348</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 10,242	\$ 33,314	\$ 28,821	\$ --	\$ 72,377
Contracts payable	207,897	--	38,895	--	246,792
Payroll deductions and withholdings and employer matching payable	<u>26,709</u>	<u>--</u>	<u>5,108</u>	<u>--</u>	<u>31,817</u>
TOTAL LIABILITIES	<u>244,848</u>	<u>33,314</u>	<u>72,824</u>	<u>--</u>	<u>350,986</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	29,554	30,078	2,519	--	62,151
Taxes levied for future period	<u>744,015</u>	<u>512,077</u>	<u>310,728</u>	<u>--</u>	<u>1,566,820</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>773,569</u>	<u>542,155</u>	<u>313,247</u>	<u>--</u>	<u>1,628,971</u>
FUND BALANCES:					
Nonspendable	23,699	--	--	--	23,699
Restricted	--	2,526,040	417,585	1,693,499	4,637,124
Assigned	437,817	--	--	--	437,817
Unassigned	<u>3,751</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>3,751</u>
TOTAL FUND BALANCES	<u>465,267</u>	<u>2,526,040</u>	<u>417,585</u>	<u>1,693,499</u>	<u>5,102,391</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$1,483,684</u>	<u>\$3,101,509</u>	<u>\$803,656</u>	<u>\$1,693,499</u>	<u>\$7,082,348</u>

The notes to the financial statements are an integral part of this statement.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Total Fund Balances - Governmental Funds	\$ 5,102,391
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	8,369
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	7,508,903
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	433,257
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
CO certificates \$2,000,000	
Accrued leave \$ <u>28,793</u>	(2,028,793)
Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.	
Taxes receivable \$ <u>62,151</u>	62,151
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(170,190)</u>
Net Position - Governmental Activities	<u>\$10,916,088</u>

The notes to the financial statements are an integral part of this statement.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption (Debt Service) Fund	Other Governmental Fund	Total Governmental Funds
REVENUES:						
Revenue from Local Sources:						
Taxes:						
Ad valorem taxes	\$1,467,269	\$1,295,385	\$ 310,639	\$ --	\$ --	\$3,073,293
Prior years' ad valorem taxes	13,181	14,724	369	--	--	28,274
Utility taxes	144,827	--	--	--	--	144,827
Penalties and interest on taxes	5,203	4,584	177	--	--	9,964
Tuition and Fees:						
Regular day school tuition	340	--	--	--	--	340
Earnings on investments and deposits	--	30,706	13,160	3,857	--	47,723
Cocurricular activities:						
Admissions	11,396	--	--	--	--	11,396
Other revenue from local sources:						
Rentals	5,673	--	--	--	--	5,673
Contributions and donations	500	--	500	--	--	1,000
Refund of prior years' expenditures	3,000	--	--	--	--	3,000
Other	6,749	424	--	--	--	7,173
Revenue from Intermediate Sources:						
County sources:						
County apportionment	9,172	--	--	--	--	9,172
Revenue in lieu of taxes	4,913	--	--	--	--	4,913
Revenue from State Sources:						
Grants-in-aid:						
Unrestricted grants-in-aid	171,992	--	--	--	--	171,992
Restricted grants-in-aid	1,300	--	--	--	--	1,300
Revenue from Federal Sources:						
Grants-in-aid:						
Unrestricted grants-in-aid received directly from federal government	14,437	--	--	--	--	14,437
Restricted grants-in-aid received from federal government through the state	<u>115,877</u>	<u>32,821</u>	<u>80,387</u>	<u>--</u>	<u>--</u>	<u>229,085</u>
TOTAL REVENUES	<u>1,975,829</u>	<u>1,378,644</u>	<u>405,232</u>	<u>3,857</u>	<u>--</u>	<u>3,763,562</u>
EXPENDITURES:						
Instruction:						
Regular programs:						
Elementary	610,377	70,717	--	--	--	681,094
Middle/junior high	119,414	--	--	--	--	119,414
High school	452,591	74,397	--	--	--	526,988
Special programs:						
Programs for special education	--	--	336,090	--	--	336,090
Educationally deprived	143,450	--	--	--	--	143,450

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption (Debt Service) Fund	Other Governmental Fund	Total Governmental Funds
Adult continuing education programs:						
Other adult continuing education programs	1,609	--	--	--	--	1,609
Support Services:						
Students:						
Guidance	53,945	--	--	--	--	53,945
Health	558	--	--	--	--	558
Psychological	--	--	9,349	--	--	9,349
Speech pathology	--	--	49,547	--	--	49,547
Student therapy services	--	--	17,196	--	--	17,196
Instructional staff:						
Improvement of instruction	10,182	--	679	--	--	10,861
Educational media	88,626	--	--	--	--	88,626
General administration:						
Board of education	35,413	--	--	--	--	35,413
Executive administration	101,029	--	--	--	--	101,029
School administration:						
Office of the principal	165,948	--	--	--	--	165,948
Business:						
Fiscal services	69,241	615	--	--	--	69,856
Facilities acquisition and construction	--	19,750	--	--	--	19,750
Operation and maintenance of plant	259,406	31,209	--	--	--	290,615
Student transportation	129,134	22,458	--	--	--	151,592
Central:						
Planning	3,246	--	--	--	--	3,246
Staff	840	--	--	--	--	840
Special education:						
Administrative costs	--	--	25,477	--	--	25,477
Transportation costs	--	--	8,786	--	--	8,786
Other special education costs	--	--	86,433	--	--	86,433
Debt Services	--	31,530	--	--	--	31,530
Cocurricular Activities:						
Male activities	39,176	13,870	--	--	--	53,046
Female activities	42,353	2,450	--	--	--	44,803
Transportation	5,699	--	--	--	--	5,699
Combined activities	66,393	--	--	--	--	66,393
Capital Outlay	--	9,635	--	--	--	9,635
TOTAL EXPENDITURES	2,398,630	276,631	533,557	--	--	3,208,818
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(422,801)	1,102,013	(128,325)	3,857	--	554,744
OTHER FINANCING SOURCES (USES):						
Transfers in	204,985	--	--	166,667	--	371,652
Transfers out	(45,000)	(166,667)	--	--	(204,985)	(416,652)

The notes to the financial statements are an integral part of this statement.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020
(Continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption (Debt Service) Fund	Other Governmental Fund	Total Governmental Funds
Sale of surplus property	--	900	--	--	--	900
Compensation for loss of general capital assets	--	<u>25,741</u>	--	--	--	<u>25,741</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>159,985</u>	<u>(140,026)</u>	--	<u>166,667</u>	<u>(204,985)</u>	<u>(18,359)</u>
NET CHANGE IN FUND BALANCES	(262,816)	961,987	(128,325)	170,524	(204,985)	536,385
FUND BALANCE - BEGINNING	<u>728,083</u>	<u>1,564,053</u>	<u>545,910</u>	<u>1,522,975</u>	<u>204,985</u>	<u>4,566,006</u>
FUND BALANCE - ENDING	<u>\$ 465,267</u>	<u>\$2,526,040</u>	<u>\$ 417,585</u>	<u>\$1,693,499</u>	<u>\$ --</u>	<u>\$5,102,391</u>

The notes to the financial statements are an integral part of this statement.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Net Change in Fund Balances - Total Governmental Funds	\$ 536,385
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	9,635
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	(206,121)
In the statement of activities, losses \$179 on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds \$0 from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	(179)
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".	27,417
Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits or elect to retire early.	
Vacation leave	<u>\$4,581</u> (4,581)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(243,856)
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>1,771</u>
Change in Net Position of Governmental Activities	<u>\$ 120,471</u>

The notes to the financial statements are an integral part of this statement.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Funds	
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 1,003	\$ 5,751	\$ 6,754
Accounts receivable, net	13	--	13
Due from federal government	10,179	--	10,179
Inventory - materials and supplies	546	--	546
Inventory - stores for resale	<u>4,206</u>	<u>--</u>	<u>4,206</u>
Total Current Assets	<u>15,947</u>	<u>5,751</u>	<u>21,698</u>
Noncurrent Assets:			
Net pension asset	181	210	391
Capital Assets:			
Machinery and equipment - local funds	129,616	--	129,616
Less: accumulated depreciation	<u>(94,778)</u>	<u>--</u>	<u>(94,778)</u>
Total Noncurrent Assets	<u>35,019</u>	<u>210</u>	<u>35,229</u>
TOTAL ASSETS	<u>50,966</u>	<u>5,961</u>	<u>56,927</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	<u>10,665</u>	<u>10,976</u>	<u>21,641</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>10,665</u>	<u>10,976</u>	<u>21,641</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	2,127	180	2,307
Contracts payable	5,607	7,117	12,724
Payroll deductions and withholdings and employer matching payable	746	789	1,535
Unearned revenue	<u>6,753</u>	<u>--</u>	<u>6,753</u>
TOTAL LIABILITIES	<u>15,233</u>	<u>8,086</u>	<u>23,319</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferred inflows	<u>3,971</u>	<u>4,298</u>	<u>8,269</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,971</u>	<u>4,298</u>	<u>8,269</u>
NET POSITION:			
Net investment in capital assets	34,838	--	34,838
Restricted for:			
SDRS pension purposes	6,874	6,888	13,762
Unrestricted net position	<u>715</u>	<u>(2,335)</u>	<u>(1,620)</u>
TOTAL NET POSITION	<u>\$ 42,427</u>	<u>\$ 4,553</u>	<u>\$ 46,980</u>

The notes to the financial statements are an integral part of this statement.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2020

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Funds	
OPERATING REVENUE:			
Food Sales:			
Student	\$ 52,145	\$ --	\$ 52,145
Adult	3,939	--	3,939
Other charges for goods and services	<u>--</u>	<u>11,226</u>	<u>11,226</u>
TOTAL OPERATING REVENUE	<u>56,084</u>	<u>11,226</u>	<u>67,310</u>
OPERATING EXPENSES:			
Salaries	43,539	46,817	90,356
Employee benefits	21,483	18,653	40,136
Purchased services	43	--	43
Supplies	3,440	915	4,355
Cost of sales - purchased	52,685	--	52,685
Cost of sales - donated	13,071	--	13,071
Depreciation	<u>7,841</u>	<u>--</u>	<u>7,841</u>
TOTAL OPERATING EXPENSES	<u>142,102</u>	<u>66,385</u>	<u>208,487</u>
OPERATING LOSS	<u>(86,018)</u>	<u>(55,159)</u>	<u>(141,177)</u>
NONOPERATING REVENUE:			
State grants	490	--	490
Federal grants	64,418	4,619	69,037
Donated food	<u>13,071</u>	<u>--</u>	<u>13,071</u>
TOTAL NONOPERATING REVENUE	<u>77,979</u>	<u>4,619</u>	<u>82,598</u>
LOSS BEFORE TRANSFERS	(8,039)	(50,540)	(58,579)
TRANSFERS IN	<u>--</u>	<u>45,000</u>	<u>45,000</u>
CHANGE IN NET POSITION	(8,039)	(5,540)	(13,579)
NET POSITION - BEGINNING	<u>50,466</u>	<u>10,093</u>	<u>60,559</u>
NET POSITION - ENDING	<u>\$ 42,427</u>	<u>\$ 4,553</u>	<u>\$ 46,980</u>

The notes to the financial statements are an integral part of this statement.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2020

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers	\$ 58,785	\$ 11,226	\$ 70,011
Cash payments to employees for services	(60,861)	(59,186)	(120,047)
Cash payments to suppliers of goods or services	(54,343)	(839)	(55,182)
Net cash used by operating activities	(56,419)	(48,799)	(105,218)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from General Fund	--	45,000	45,000
Operating grants	54,729	4,619	59,348
Net cash flows from noncapital financing activities	54,729	49,619	104,348
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	--	--	--
CASH FLOWS FROM INVESTING ACTIVITIES	--	--	--
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,690)	820	(870)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,693	4,931	7,624
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,003	\$ 5,751	\$ 6,754
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
OPERATING LOSS	\$(86,018)	\$(55,159)	\$(141,177)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
Depreciation	7,841	--	7,841
Value of donated commodities used	13,071	--	13,071
Change in assets and liabilities:			
Receivables	264	--	264
Inventories	(302)	--	(302)
Pension related deferred outflows	4,900	5,549	10,449
Net pension asset	(137)	(163)	(300)
Accounts and other payables	1,984	98	2,082
Contracts payable	(1,050)	167	(883)
Pension related deferred inflows	591	709	1,300
Unearned revenue	2,437	--	2,437

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Funds	
NET CASH USED BY OPERATING ACTIVITIES	<u>\$(56,419)</u>	<u>\$(48,799)</u>	<u>\$(105,218)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Value of commodities received	\$ 13,071	\$ --	\$ 13,071

The notes to the financial statements are an integral part of this statement.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS:		
Cash and cash equivalents	<u>\$19,111</u>	<u>\$120,590</u>
TOTAL ASSETS	<u>\$19,111</u>	<u>\$120,590</u>
LIABILITIES:		
Amounts held for others	\$ --	\$120,240
Due to General Fund	<u>--</u>	<u>350</u>
TOTAL LIABILITIES	<u>--</u>	<u>120,590</u>
NET POSITION:		
Held in trust for scholarships	<u>19,111</u>	<u>--</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$19,111</u>	<u>\$--</u>

The notes to the financial statements are an integral part of this statement.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2020

	<u>Private-Purpose Trust Funds</u>
ADDITIONS:	
Contributions and donations	\$ 6,438
Earnings from investments and deposits	<u>46</u>
TOTAL ADDITIONS	<u>6,484</u>
DEDUCTIONS:	
Trust deductions for scholarships	<u>5,374</u>
TOTAL DEDUCTIONS	<u>5,374</u>
CHANGE IN NET POSITION	1,110
NET POSITION - BEGINNING	<u>18,001</u>
NET POSITION - ENDING	<u>\$19,111</u>

The notes to the financial statements are an integral part of this statement.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of Highmore-Harrold School District No 34-2 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation:

Government-Wide Financial Statements:

The Statement of Net Position and 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 Net Position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net Position are displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 - (Continued)

considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

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

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

Governmental Funds:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

Special Education Fund - A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the School District. This fund is financed by grants and property taxes. This is a major fund.

Pension Fund - A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the School District's share of retirement plan contributions, and for funding early retirement benefits to

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 - (Continued)

qualifying employees. This fund is financed by property taxes. This is not a major fund and is the only nonmajor governmental fund and was closed by an operating transfer to the General Fund at the end of this year.

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

Bond Redemption Fund - A fund established by the official statement of the Qualified School Construction Bonds to be used to accumulate sinking fund deposits. The Bond Redemption Fund is the only debt service fund maintained by the School District. This is a major fund.

Proprietary Funds:

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

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit - even if that government is not expected to make any payments - is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

Preschool Fund - A fund used to record financial transactions related to preschool operations. This fund is financed by user charges and grants. This is not a major fund.

Drivers Education Fund - A fund used to record financial transactions related to the drivers' education operations. This fund is financed by user charges. This is not a major fund

Fiduciary Funds:

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - (Continued)

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

Private-Purpose Trust Funds - Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains only the following private-purpose trust fund:

A scholarship fund to assist former students with college expenses.

Agency Funds - Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds for the following purposes:

To account for assets held as an agent for individuals, classes, and school organizations.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 - (Continued)

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 60 days. The revenues which are accrued at June 30, 2020, are for state and county reimbursements and miscellaneous receivables.

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

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

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

d. 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 Law (SDCL) 4-5-6.

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 - (Continued)

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Financial Statements:

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

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

The total June 30, 2020 balance of capital assets for governmental activities includes approximately 3 percent for which the costs were determined by estimates of the original costs. The total June 30, 2020 balance of capital assets for business-type activities includes approximately 27 percent for which the values were determined by estimates of the original cost. These estimated original costs were established by estimations based on various contractors prior experience.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ --	N/A	N/A
Improvements	\$5,000	Straight-line	10 to 30 yrs.
Buildings	\$5,000	Straight-line	20 to 50 yrs.
Machinery and Equipment - Governmental	\$5,000	Straight-line	10 to 15 yrs.
Machinery and Equipment - Proprietary	\$ 500	Straight-line	12 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 - (Continued)

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

f. 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 primarily consist of compensated absences and qualified school construction bond.

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.

g. Program Revenues:

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

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

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 - (Continued)

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

i. Cash and Cash Equivalents:

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

j. Equity Classifications:

Government-Wide Financial Statements:

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

1. Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position - Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

k. Application of Net Position:

It is the School District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

l. Fund Balances Classification Policies and Procedures:

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 - (Continued)

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

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the School Board.

Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of the following:

Amount reported in nonspendable form such as inventory and prepaid expenses.

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

The Government does not have a formal minimum fund balance policy.

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

Major Special Revenue Fund
Capital Outlay Fund
Special Education Fund

Revenue Source
Property Taxes
Federal Funding, Property Taxes

A schedule of fund balances is provided as follows:

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - (Continued)

Highmore-Harrold School District No 34-2
 Disclosure of Fund Balances Reported on Balance Sheet
 Governmental Funds
 June 30, 2020

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Bond Redemption (Debt Service) Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:					
Nonspendable:					
Inventory	\$ 2,880	\$ --	\$ --	\$ --	\$ 2,880
Prepaid expenses	20,819	--	--	--	20,819
Restricted for:					
Capital Outlay Fund	--	2,526,040	--	--	2,526,040
Special Education Fund	--	--	417,585	--	417,585
Debt Service Requirements	--	--	--	1,693,499	1,693,499
Assigned to:					
Subsequent years budget	437,817	--	--	--	437,817
Unassigned	<u>3,751</u>	<u> </u>	<u> </u>	<u> </u>	<u>3,751</u>
Total Fund Balances	<u>\$465,267</u>	<u>\$2,526,040</u>	<u>\$417,585</u>	<u>\$1,693,499</u>	<u>\$5,102,391</u>

m. Pensions:

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

NOTE 2 - DEPOSITS AND INVESTMENTS FAIR VALUE MEASUREMENT, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The School District follows the practice of aggregating the cash assets of all the funds except for the Bond Redemption Fund and the Trust and Agency Funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 2 - (Continued)

least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - In general, SDCL 4-5-6 permits school district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

As of June 30, 2020, the School District did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

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

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer. More than 5 percent of the School District's investments are in certificates of deposit - 100%.

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

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

NOTE 3 - RECEIVABLES AND PAYABLES

Receivables and payables are aggregated in the Statement of Net Position. However, the detail of all receivables and current payables is shown in the Governmental Funds Balance Sheet. Unavailable revenue, which is shown as a deferred inflows of resources on the Governmental Funds Balance Sheet is reduced on the Statement of Net Position for delinquent taxes receivable, and included as a reconciling item on the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position. The detail of the noncurrent liabilities on the Statement of Net Position is shown at Note 7. The School District expects all receivables to be collected within one year. The School District has not established an allowance for estimated uncollectible because the amount of accounts receivable is immaterial.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 4 - INVENTORY

Inventory held for consumption is stated at cost.

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

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

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

NOTE 5 - PROPERTY TAXES

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

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

NOTE 6 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2020, is as follows:

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 6 - (Continued)

Primary Government

	Balance 07/01/19	Increases	Decreases	Balance 06/30/20
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 8,000	\$ --	\$ --	\$ 8,000
Construction in progress	<u>41,199</u>	<u>9,635</u>	<u>--</u>	<u>50,834</u>
Total, not being depreciated	<u>49,199</u>	<u>9,635</u>	<u>--</u>	<u>58,834</u>
Capital assets, being depreciated:				
Improvements	703,218	--	--	703,218
Buildings	7,942,279	--	--	7,942,279
Machinery and equipment	<u>328,279</u>	<u>--</u>	<u>12,962</u>	<u>315,317</u>
Total, being depreciated	<u>8,973,776</u>	<u>--</u>	<u>12,962</u>	<u>8,960,814</u>
Less accumulated depreciation for:				
Improvements	38,054	26,040	--	64,094
Buildings	1,134,968	158,742	--	1,293,710
Machinery and equipment	<u>144,385</u>	<u>21,339</u>	<u>12,783</u>	<u>152,941</u>
Total accumulated depreciation	<u>1,317,407</u>	<u>206,121</u>	<u>12,783</u>	<u>1,510,745</u>
Total capital assets, being depreciated, net	<u>7,656,369</u>	<u>(206,121)</u>	<u>179</u>	<u>7,450,069</u>
Governmental activity capital assets, net	<u>\$7,705,568</u>	<u>\$(196,486)</u>	<u>\$ 179</u>	<u>\$7,508,903</u>

Depreciation expense was charged to functions as follows:

Governmental activities:		
Instruction		\$ 87,938
Support services		94,766
Cocurricular activities		<u>23,417</u>
Total depreciation expense - governmental activities		<u>\$206,121</u>

	Balance 07/01/19	Increases	Decreases	Balance 06/30/20
Business-type Activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$129,616	\$ --	\$ --	\$129,616
Less accumulated depreciation for:				
Machinery and equipment	<u>86,937</u>	<u>7,841</u>	<u>--</u>	<u>94,778</u>
Business-type activity capital assets, net	<u>\$ 42,679</u>	<u>\$(7,841)</u>	<u>--</u>	<u>\$ 34,838</u>

Depreciation expense was charged to functions as follows:

Business-type activities:		
Food services		\$ <u>7,841</u>

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 - (Continued)

Construction work in progress at June 30, 2020, is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended Thru 6/30/2020</u>	<u>Committed</u>	<u>Required Future Financing</u>
Track Project	\$ --	\$50,834	\$ --	\$ --

NOTE 7 - LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2020, is as follows:

PRIMARY GOVERNMENT

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Qualified School Construction Bond	\$2,000,000	\$ --	\$ --	\$2,000,000	\$ --
Total debt	2,000,000	--	--	2,000,000	--
Accrued compensated absences	24,212	4,581	--	28,793	5,679
Total governmental activities	\$2,024,212	\$4,581	\$ --	\$2,028,793	\$5,679

Compensated absences for governmental activities typically have been liquidated from the General Fund.

Liabilities payable at June 30, 2020, are comprised of the following:

PRIMARY GOVERNMENT

Governmental Activities:

Qualified School Construction Bond:

Requires semi-annual interest payment of \$14,840 from the Capital Outlay Fund with the final payment to be made July 15, 2021. The principal is paid back July 15, 2021, in a lump sum payment of \$2,000,000. However, money is to be deposited every year into a separate account and a debt service fund was set up to account for this beginning July 15, 2010. Because this was a tax credit bond program, the tax credit rate ranged from 5.95% to 6.06% and the supplemental interest rate ranged from 1.44% to 1.55%.

\$ 2,000,000

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 - (Continued)

Compensated Absences:

Payable for accrued vacation leave generally paid from the fund from which the employee's most recent compensation has been paid. \$ 28,793

The annual debt service requirements to maturity, except for compensated absences, for all debt outstanding as of June 30, 2020, are as follows:

Annual Requirements to Maturity for
 Long-Term Debt
 June 30, 2020

Year Ending June 30,	Qualified School Construction Bond	
	Prin.	Int.
2021	\$ --	\$29,680
2022	<u>2,000,000</u>	<u>14,840</u>
Totals	<u>\$2,000,000</u>	<u>\$44,520</u>

NOTE 8 - OPERATING LEASES

The School District has an operating lease for a copier for 4 years beginning July 2018, which is being paid out of the Capital Outlay Fund. The School District paid a total of \$5,915 for the copier lease from the Capital Outlay Fund for the year ended June 30, 2020.

The School District has a 10-month operating lease for the City auditorium at a rate of \$2,750 per month. The payments are being paid out of the Capital Outlay Fund. The School District paid a total of \$27,500 for the building lease from the Capital Outlay Fund for the year ended June 30, 2020.

The following are the minimum payments required for existing operating leases:

Year	Capital Outlay Fund
2021	\$33,415
2022	\$ 5,915

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 - RESTRICTED NET POSITION

Restricted net position for the year ended June 30, 2020, was as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
Capital Outlay purposes	Law	\$2,556,118
Special Education purposes	Law	420,104
Debt Service purposes	Debt Covenants	1,693,499
Other Purposes:		
SDRS pension purposes	Law	<u>285,198</u>
Total Restricted Net Position		<u>\$4,954,919</u>

These balances are restricted due to debt covenants and statutory requirements.

NOTE 10 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2020, were as follows:

<u>Transfers From:</u>	<u>Transfers To:</u>				<u>Total</u>
	<u>General Fund</u>	<u>Bond Redemption Fund</u>	<u>Preschool Fund</u>	<u>Drivers Education Fund</u>	
Capital Outlay Fund	\$ --	\$166,667	\$ --	\$ --	\$166,667
General Fund	--	--	43,850	1,150	45,000
Pension Fund	<u>204,985</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>204,985</u>
Totals	<u>\$204,985</u>	<u>\$166,667</u>	<u>\$43,850</u>	<u>\$1,150</u>	<u>\$416,652</u>

The Capital Outlay Fund transferred money to the Bond Redemption Fund in accordance with the terms of the Qualified School Construction Bond.

The General Fund transferred money to the Preschool Fund to provide money for general operation of the preschool program and to the Drivers Education Fund to provide money for general operation of the drivers education program.

The Pension Fund transferred money to the General Fund to close the Pension Fund in accordance with SD Codified Law.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 - PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605)773-3731.

Benefits Provided:

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

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

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 - (Continued)

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2020, 2019, and 2018, were \$106,998, \$105,454, and \$105,380, respectively, equal to the required contributions each year.

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

At June 30, 2019, SDRS is 100.09% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of June 30, 2020, are as follow:

Proportionate share of pension liability	\$10,301,568
Less proportionate share of net pension restricted for pension benefits	<u>10,310,328</u>
Proportionate share of net pension asset	<u>\$ (8,760)</u>

At June 30, 2020, the School District reported an asset of \$8,760 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension liability used to calculate the net pension asset was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the School District's proportion was .0826625%, which is a decrease of .0018211% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized pension expense of \$253,537. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 - (Continued)

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience.	\$ 34,362	\$ 3,965
Changes in assumption.	302,547	124,029
Net difference between projected and actual earnings on pension plan investments.	--	50,465
Changes in proportion and difference between District contributions and proportionate share of contributions.	10,991	--
School District contributions subsequent to the measurement date.	<u>106,998</u>	<u> </u> --
TOTAL	<u>\$454,898</u>	<u>\$178,459</u>

\$106,998 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:

2021	\$195,266
2022	(25,940)
2023	(17,602)
2024	<u>17,717</u>
TOTAL	<u>\$169,441</u>

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2019 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 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.88%

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 11 - (Continued)

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period of July 1, 2011, to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 (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%	4.7%
Fixed Income	30.0%	1.7%
Real Estate	10.0%	4.3%
Cash	<u>2.0%</u>	0.9%
Total	<u>100.0%</u>	

Discount Rate:

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions 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.

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

The following presents the School District's proportionate share of net pension asset using the discount rate of 6.50%, as well as what the School District's proportionate share of the net pension liability

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 - (Continued)

(asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
School District's proportionate share of the net pension liability (asset)	\$1,453,982	\$(8,760)	\$(1,200,630)

Pension Plan Fiduciary Net Position:

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

NOTE 12 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2020, the School District managed its risks as follows:

Employee Health Insurance:

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. There is no lifetime maximum payment per person.

The School District does not carry additional health insurance coverage to pay claims. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

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

Worker's Compensation:

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provided workers' compensation insurance coverage for participating members of the pool. The

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 12 - (Continued)

objective of the fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District'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 School District pays an annual premium, to provide workers' compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual per incident.

The School district 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 over the past three years.

Unemployment Benefits:

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

During the year ended June 30, 2020, no claims for unemployment benefits were paid. At June 30, 2020, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

NOTE 13 - LITIGATION

At June 30, 2020, the School District was not involved in any litigation.

NOTE 14 - SUBSEQUENT EVENTS

There are no subsequent events through October 28, 2020, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$1,470,000	\$1,470,000	\$1,467,269	\$ (2,731)
Prior years' ad valorem taxes	8,000	8,000	13,181	5,181
Utility taxes	130,000	130,000	144,827	14,827
Other taxes	2,800	2,800	--	(2,800)
Penalties and interest on taxes	3,520	3,520	5,203	1,683
Tuition and fees:				
Regular day school tuition	--	--	340	340
Cocurricular activities:				
Admissions	12,000	12,000	11,396	(604)
Other revenue from local sources:				
Rentals	5,700	5,700	5,673	(27)
Contributions and donations	342	342	500	158
Refund of prior years' expenditures	--	--	3,000	3,000
Other	18,900	18,900	6,749	(12,151)
Revenue from Intermediate Sources:				
County sources:				
County apportionment	10,272	10,272	9,172	(1,100)
Revenue in lieu of taxes	2,455	2,455	4,913	2,458
Other	3,800	3,800	--	(3,800)
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	174,000	174,000	171,992	(2,008)
Restricted grants-in-aid	--	--	1,300	1,300
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	<u>112,240</u>	<u>112,240</u>	<u>115,877</u>	<u>3,637</u>
TOTAL REVENUES	<u>1,954,029</u>	<u>1,954,029</u>	<u>1,961,392</u>	<u>7,363</u>
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	675,515	675,515	610,377	65,138
Middle/junior high	133,214	133,214	119,414	13,800
High school	525,373	525,373	452,591	72,782
Special programs:				
Educationally deprived	149,689	149,689	143,450	6,239
Adult continuing education programs:				

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Other adult continuing education programs	--	--	1,609	(1,609)
Support Services:				
Students:				
Guidance	58,054	58,054	53,945	4,109
Health	4,000	4,000	558	3,442
Instructional staff:				
Improvement of instruction	21,300	21,300	10,182	11,118
Educational media	115,344	115,344	88,626	26,718
General administration:				
Board of education	51,200	51,200	35,413	15,787
Executive administration	113,550	113,550	101,029	12,521
School administration:				
Office of the principal	172,932	172,932	165,948	6,984
Business:				
Fiscal services	72,620	72,620	69,241	3,379
Operation and maintenance of plant	323,800	323,800	259,406	64,394
Student transportation services	154,800	154,800	129,134	25,666
Central:				
Planning	--	--	3,246	(3,246)
Staff	4,000	4,000	840	3,160
Cocurricular Activities:				
Male activities	48,200	48,200	39,176	9,024
Female activities	44,800	44,800	42,353	2,447
Transportation	34,400	34,400	5,699	28,701
Combined activities	97,700	97,700	66,393	31,307
Contingencies	41,321	41,321		
Amount transferred		--		<u>41,321</u>
TOTAL EXPENDITURES	<u>2,841,812</u>	<u>2,841,812</u>	<u>2,398,630</u>	<u>443,182</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(887,783)</u>	<u>(887,783)</u>	<u>(437,238)</u>	<u>450,545</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	854,985	854,985	204,985	(650,000)
Transfers out	<u>(84,277)</u>	<u>(84,277)</u>	<u>(45,000)</u>	<u>39,277</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>770,708</u>	<u>770,708</u>	<u>159,985</u>	<u>(610,723)</u>
NET CHANGE IN FUND BALANCES	<u>(117,075)</u>	<u>(117,075)</u>	<u>(277,253)</u>	<u>(160,178)</u>

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2020
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
FUND BALANCE - BEGINNING	<u>408,343</u>	<u>408,343</u>	<u>408,343</u>	<u>---</u>
FUND BALANCE - ENDING	<u>\$ 291,268</u>	<u>\$ 291,268</u>	<u>\$ 131,090</u>	<u>\$(160,178)</u>

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - CAPITAL OUTLAY FUND -
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts (Budgetary Basis)	Final Budget- Positive (Negative)
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$1,500,400	\$1,500,400	\$1,295,385	\$ (205,015)
Prior years' ad valorem taxes	15,000	15,000	14,724	(276)
Penalties and interest on taxes	4,100	4,100	4,584	484
Earnings on investments and deposits	13,000	13,000	30,706	17,706
Other revenue from local sources:				
Other	--	--	424	424
Revenue from Federal Sources:				
Grants in aid:				
Restricted grants-in-aid received from federal government through the state	--	--	32,821	32,821
TOTAL REVENUES	<u>1,532,500</u>	<u>1,532,500</u>	<u>1,378,644</u>	<u>(153,856)</u>
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	89,500	89,500	70,717	18,783
High school	110,500	110,500	74,397	36,103
Support Services:				
Business:				
Fiscal services	5,000	5,000	615	4,385
Facilities acquisition and construction	850,000	850,000	29,385	820,615
Operation and maintenance of plant	185,000	185,000	31,209	153,791
Student transportation services	70,000	70,000	22,458	47,542
Debt Services	34,500	34,500	31,530	2,970
Cocurricular Activities:				
Male activities	9,000	9,000	13,870	(4,870)
Female activities	9,000	9,000	2,450	6,550
TOTAL EXPENDITURES	<u>1,362,500</u>	<u>1,362,500</u>	<u>276,631</u>	<u>1,085,869</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>170,000</u>	<u>170,000</u>	<u>1,102,013</u>	<u>932,013</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(817,000)	(817,000)	(166,667)	650,333
Sale of surplus property	--	--	900	900
Compensation for loss of general capital assets	--	--	25,741	25,741

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
TOTAL OTHER FINANCING SOURCES (USES)	<u>(817,000)</u>	<u>(817,000)</u>	<u>(140,026)</u>	<u>676,974</u>
NET CHANGE IN FUND BALANCES	(647,000)	(647,000)	961,987	1,608,987
FUND BALANCE - BEGINNING	<u>1,564,053</u>	<u>1,564,053</u>	<u>1,564,053</u>	<u>--</u>
FUND BALANCE - ENDING	<u>\$ 917,053</u>	<u>\$ 917,053</u>	<u>\$2,526,040</u>	<u>\$1,608,987</u>

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - SPECIAL EDUCATION FUND -
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 325,000	\$ 325,000	\$ 310,639	\$ (14,361)
Prior years' ad valorem taxes	1,500	1,500	369	(1,131)
Penalties and interest on taxes	502	502	177	(325)
Earnings on investments and deposits	10,000	10,000	13,160	3,160
Other revenue from local sources:				
Contributions and donations	--	--	500	500
Other	1,433	1,433	--	(1,433)
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	<u>80,387</u>	<u>80,387</u>	<u>80,387</u>	--
TOTAL REVENUES	<u>418,822</u>	<u>418,822</u>	<u>405,232</u>	<u>(13,590)</u>
EXPENDITURES:				
Instruction:				
Special programs:				
Programs for special education	558,393	558,393	336,090	222,303
Support Services:				
Students:				
Psychological	15,000	15,000	9,349	5,651
Speech pathology	77,226	77,226	49,547	27,679
Student therapy services	13,500	13,500	17,196	(3,696)
Instructional staff:				
Improvement of instruction	4,500	4,500	679	3,821
Business:				
Student transportation services	13,000	13,000	--	13,000
Special education:				
Administrative costs	38,200	38,200	25,477	12,723
Transportation costs	--	--	8,786	(8,786)
Other special education costs	--	--	<u>86,433</u>	<u>(86,433)</u>
TOTAL EXPENDITURES	<u>719,819</u>	<u>719,819</u>	<u>533,557</u>	<u>186,262</u>
NET CHANGE IN FUND BALANCES	(300,997)	(300,997)	(128,325)	172,672
FUND BALANCE - BEGINNING	<u>545,910</u>	<u>545,910</u>	<u>545,910</u>	--
FUND BALANCE - ENDING	<u>\$ 244,913</u>	<u>\$ 244,913</u>	<u>\$ 417,585</u>	<u>\$ 172,672</u>

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH
MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET
JUNE 30, 2020

NOTE 1 - Budgets and Budgetary Accounting

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

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

NOTE 2 - USGAAP/Budgetary Accounting Basis Differences

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

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH
MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET
JUNE 30, 2020
(Continued)

2. The financial statements prepared in conformity with USGAAP do not recognize the Impact Aid Fund as a special revenue fund. The fund has specific revenue, but does not require it to be spent on a special purpose. According to SDCL 13-16-31, the School District should maintain a separate Impact Aid Fund. So, to comply with USGAAP and state law, the Impact Aid Fund is blended with the General Fund in the Basic Financial Statements, however, the Budgetary RSI Schedule shows the General Fund separate from the Impact Aid Fund.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (ASSET)
SOUTH DAKOTA RETIREMENT SYSTEM

	Last 3 Fiscal Years*		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net pension liability (asset)	0.0826625%	0.0844836%	0.0855320%
Districts's proportionate share of net pension liability (asset)	\$ (8,760)	\$ (1,969)	\$ (7,762)
District's covered payroll	\$1,757,570	\$1,756,324	\$1,737,821
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.50%	0.11%	0.45%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.09%	100.02%	100.10%

*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 of the previous fiscal year. Until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT PENSION CONTRIBUTIONS
SOUTH DAKOTA RETIREMENT SYSTEM

	Last 4 Fiscal Years*			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 106,998	\$ 105,455	\$ 105,380	\$ 104,270
Contributions in relation to the contractually required contribution	\$ 106,998	\$ 105,455	\$ 105,380	\$ 104,270
District's covered payroll	\$1,783,296	\$1,757,570	\$1,756,324	\$1,737,821
Contributions as a percentage of covered payroll	6.00%	6.00%	6.00%	6.00%

*Until a full 10-year trend is compiled, the School District will present information for those years for which information is available

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
AND SCHEDULE OF PENSION CONTRIBUTIONS
JUNE 30, 2020

Changes of benefit terms:

No significant changes.

Changes of assumptions:

Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% 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, 2018, and exists again this year as of June 30, 2019. Future COLAs are assumed to equal the current restricted maximum COLA which was 2.03% as of June 30, 2018, and is 1.88% as of June 30, 2019.

The changes in actuarial assumptions decreased the Actuarial Accrued Liability by 1.5% of the Actuarial Accrued Liability based on the 2.03% COLA, reflecting the current and assumed future restricted maximum COLA of 1.88%.

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

SUPPLEMENTARY INFORMATION

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2020

	Enterprise Funds		Totals
	Preschool Fund	Drivers Education Fund	
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ <u>5,237</u>	\$ <u>514</u>	\$ <u>5,751</u>
Total Current Assets	<u>5,237</u>	<u>514</u>	<u>5,751</u>
Noncurrent assets:			
Net pension asset	<u>210</u>	<u>--</u>	<u>210</u>
Total Noncurrent Assets	<u>210</u>	<u>--</u>	<u>210</u>
TOTAL ASSETS	<u>5,447</u>	<u>514</u>	<u>5,961</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	<u>10,976</u>	<u>--</u>	<u>10,976</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>10,976</u>	<u>--</u>	<u>10,976</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	<u>--</u>	<u>180</u>	<u>180</u>
Contracts payable	<u>7,117</u>	<u>--</u>	<u>7,117</u>
Payroll deductions and withholdings and employer matching payable	<u>789</u>	<u>--</u>	<u>789</u>
TOTAL LIABILITIES	<u>7,906</u>	<u>180</u>	<u>8,086</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferred inflows	<u>4,298</u>	<u>--</u>	<u>4,298</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>4,298</u>	<u>--</u>	<u>4,298</u>
NET POSITION:			
Restricted for:			
SDRS pension purposes	<u>6,888</u>	<u>--</u>	<u>6,888</u>
Unrestricted net position	<u>(2,669)</u>	<u>334</u>	<u>(2,335)</u>
TOTAL NET POSITION	<u>\$ 4,219</u>	<u>\$ 334</u>	<u>\$ 4,553</u>

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2020

	<u>Enterprise Funds</u>		<u>Totals</u>
	<u>Preschool Fund</u>	<u>Drivers Education Fund</u>	
OPERATING REVENUE:			
Other charges for goods and services	\$ <u>7,976</u>	\$ <u>3,250</u>	\$ <u>11,226</u>
TOTAL OPERATING REVENUE	<u>7,976</u>	<u>3,250</u>	<u>11,226</u>
OPERATING EXPENSES:			
Salaries	43,317	3,500	46,817
Employee benefits	18,356	297	18,653
Supplies	<u>233</u>	<u>682</u>	<u>915</u>
TOTAL OPERATING EXPENSES	<u>61,906</u>	<u>4,479</u>	<u>66,385</u>
OPERATING LOSS	<u>(53,930)</u>	<u>(1,229)</u>	<u>(55,159)</u>
NONOPERATING REVENUE:			
Federal grants	<u>4,619</u>	--	<u>4,619</u>
TOTAL NONOPERATING REVENUE	<u>4,619</u>	--	<u>4,619</u>
LOSS BEFORE TRANSFERS	(49,311)	(1,229)	(50,540)
TRANSFERS IN	<u>43,850</u>	<u>1,150</u>	<u>45,000</u>
CHANGE IN NET POSITION	(5,461)	(79)	(5,540)
NET POSITION - BEGINNING	<u>9,680</u>	<u>413</u>	<u>10,093</u>
NET POSITION - ENDING	\$ <u>4,219</u>	\$ <u>334</u>	\$ <u>4,553</u>