

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

SCHOOL DISTRICT OFFICIALS

JUNE 30, 2021

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, 2021, 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 September 23, 2021.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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 #2021-01, #2021-02, and #2021-03 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Current Audit Findings as item #2021-04.

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.

Kohlman, Bierschbach & Anderson, LLP

September 23, 2021

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2021

PRIOR AUDIT FINDINGS:

Finding #2020-01

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 #2021-01.

Finding #2020-02

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 #2021-02.

Finding #2020-03

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 #2021-03.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
SCHEDULE OF CURRENT AUDIT FINDINGS
JUNE 30, 2021

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2021-01

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 custodial 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 custodial 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 custodial accounts' receipts and disbursements. The School District is aware of this problem and is attempting to provide compensating controls by having the board members sign off on vouchers and dual signature on checks. 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 custodial accounts' receipts and disbursements continues to exist.

Finding #2021-02

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
SCHEDULE OF CURRENT AUDIT FINDINGS
JUNE 30, 2021
(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 #2021-03

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, 2021
(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:

Finding #2021-04

Criteria

SDCL 5-18-18.3 requires School Districts to bid certain items that they purchase, including purchases of \$100,000 or more for public improvements and purchases of \$50,000 or more for materials, building supplies, or equipment with certain exceptions.

Condition Found

The School District did not follow proper bidding procedures in regards to the ionization system purchased.

Cause

The School District purchased an ionization system that was not bid.

Effect

The ionization system was not bid before it was purchased. Therefore, the School District was not in compliance with South Dakota Codified Law.

Recommendation

We recommend the School District properly bid all items that are required to be bid before they are purchased.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
SCHEDULE OF CURRENT AUDIT FINDINGS
JUNE 30, 2021
(Continued)

Views of Responsible Officials

Paula Haiwick is the contact person responsible for the corrective action plan for this comment. She stated, "We will make sure the business manager, superintendent, and School Board all work to adhere to all South Dakota bid laws regarding the need to issue a request for bids."

Closing Conference

The contents of this report were discussed with Paula Haiwick, Quinton Cermak, and Jennifer Farstveit on August 3, 2021.

KOHLMAN, BIERSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2021, 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 opinions 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-Harold School District No 34-2, South Dakota, as of June 30, 2021, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2021, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, which has resulted in a restatement of the net position as of July 1, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the School District Pension Contributions and the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) on pages 46 through 54, 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 September 23, 2021, 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.

Hohlman, Bierschbach & Anderson, LLP

September 23, 2021

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS:			
Cash and cash equivalents	\$ 3,137,842	\$35,956	\$ 3,173,798
Investments	3,065,588	--	3,065,588
Taxes receivable	1,384,397	--	1,384,397
Internal balances	529	(529)	--
Inventories	2,912	5,959	8,871
Other assets	146,016	963	146,979
Net pension asset	3,373	155	3,528
Capital assets:			
Land, improvements and construction/development in progress	8,000	--	8,000
Other capital assets, net of depreciation/amortization	<u>7,363,143</u>	<u>27,500</u>	<u>7,390,643</u>
TOTAL ASSETS	<u>15,111,800</u>	<u>70,004</u>	<u>15,181,804</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	<u>544,120</u>	<u>26,981</u>	<u>571,101</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>544,120</u>	<u>26,981</u>	<u>571,101</u>
LIABILITIES:			
Accounts payable	18,197	--	18,197
Other current liabilities	229,414	15,327	244,741
Unearned revenue	--	6,420	6,420
Noncurrent Liabilities:			
Due within one year	2,004,279	--	2,004,279
Due in more than one year	<u>14,439</u>	<u>--</u>	<u>14,439</u>
TOTAL LIABILITIES	<u>2,266,329</u>	<u>21,747</u>	<u>2,288,076</u>
DEFERRED INFLOWS OF RESOURCES:			
Taxes levied for future period	1,552,960	--	1,552,960
Pension related deferred inflows	<u>440,201</u>	<u>20,992</u>	<u>461,193</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,993,161</u>	<u>20,992</u>	<u>2,014,153</u>
NET POSITION:			
Net investment in capital assets	5,371,143	27,500	5,398,643
Restricted for:			
Capital outlay purposes	2,913,116	--	2,913,116
Special education purposes	676,939	--	676,939
Debt service purposes	1,862,540	--	1,862,540
SDRS pension purposes	107,292	6,144	113,436
Unrestricted	<u>465,400</u>	<u>20,602</u>	<u>486,002</u>
TOTAL NET POSITION	<u>\$11,396,430</u>	<u>\$54,246</u>	<u>\$11,450,676</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, 2021

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		Total
					Governmental Activities	Business- Type Activities	
Primary Government:							
Governmental Activities:							
Instruction	\$1,854,581	\$ --	\$182,702	\$ --	\$ (1,671,879)		\$ (1,671,879)
Support services	1,339,099	--	--	31,885	(1,307,214)		(1,307,214)
*Interest on long-term debt	31,530	--	--	--	(31,530)		(31,530)
Cocurricular activities	<u>206,567</u>	<u>12,532</u>	<u>--</u>	<u>--</u>	<u>(194,035)</u>		<u>(194,035)</u>
Total Governmental Activities	<u>3,431,777</u>	<u>12,532</u>	<u>182,702</u>	<u>31,885</u>	<u>(3,204,658)</u>		<u>(3,204,658)</u>
Business-Type Activities:							
Food service	132,352	21,306	105,296	--		\$ (5,750)	(5,750)
Preschool	59,842	13,363	8,309	--		(38,170)	(38,170)
Drivers education	<u>4,613</u>	<u>2,750</u>	<u>--</u>	<u>--</u>		<u>(1,863)</u>	<u>(1,863)</u>
Total Business-Type Activities	<u>196,807</u>	<u>37,419</u>	<u>113,605</u>	<u>--</u>		<u>(45,783)</u>	<u>(45,783)</u>
Total Primary Government	<u>\$3,628,584</u>	<u>\$49,951</u>	<u>\$296,307</u>	<u>\$31,885</u>	<u>(3,204,658)</u>	<u>(45,783)</u>	<u>(3,250,441)</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.							
General Revenues:							
Taxes:							
					3,136,379	--	3,136,379
					144,548	--	144,548
Revenue from state sources:							
					126,269	--	126,269
					113,087	--	113,087
					150,812	--	150,812
					32,492	--	32,492
					34,462	--	34,462
					<u>(53,049)</u>	<u>53,049</u>	<u>--</u>
Total General Revenues and Transfers					<u>3,685,000</u>	<u>53,049</u>	<u>3,738,049</u>
CHANGE IN NET POSITION					480,342	7,266	487,608
NET POSITION - BEGINNING					<u>10,916,088</u>	<u>46,980</u>	<u>10,963,068</u>
NET POSITION - ENDING					<u>\$11,396,430</u>	<u>\$ 54,246</u>	<u>\$11,450,676</u>

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, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption (Debt Service) Fund	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 611,935	\$1,524,398	\$ 254,558	\$ 746,951	\$3,137,842
Investments	--	1,439,811	510,188	1,115,589	3,065,588
Taxes receivable - current	623,273	412,630	297,461	--	1,333,364
Taxes receivable - delinquent	24,314	20,087	6,632	--	51,033
Due from Drivers Education Fund	529	--	--	--	529
Due from federal government	7,490	--	--	--	7,490
Due from state government	81,827	--	--	--	81,827
Due from county government	37,126	--	--	--	37,126
Inventory of supplies	2,912	--	--	--	2,912
Prepaid expenses	<u>19,573</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>19,573</u>
TOTAL ASSETS	<u>\$1,408,979</u>	<u>\$3,396,926</u>	<u>\$1,068,839</u>	<u>\$1,862,540</u>	<u>\$7,737,284</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 6,993	\$ 493	\$ 10,711	\$ --	\$ 18,197
Contracts payable	171,358	--	27,913	--	199,271
Payroll deductions and withholdings and employer matching payable	24,834	--	4,859	--	29,693
Deposits payable	<u>450</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>450</u>
TOTAL LIABILITIES	<u>203,635</u>	<u>493</u>	<u>43,483</u>	<u>--</u>	<u>247,611</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	24,314	20,087	6,632	--	51,033
Taxes levied for future period	<u>721,226</u>	<u>483,317</u>	<u>348,417</u>	<u>--</u>	<u>1,552,960</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>745,540</u>	<u>503,404</u>	<u>355,049</u>	<u>--</u>	<u>1,603,993</u>
FUND BALANCES:					
Nonspendable	22,485	--	--	--	22,485
Restricted	--	2,893,029	670,307	1,862,540	5,425,876
Assigned	278,806	--	--	--	278,806
Unassigned	<u>158,513</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>158,513</u>
TOTAL FUND BALANCES	<u>459,804</u>	<u>2,893,029</u>	<u>670,307</u>	<u>1,862,540</u>	<u>5,885,680</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$1,408,979</u>	<u>\$3,396,926</u>	<u>\$1,068,839</u>	<u>\$1,862,540</u>	<u>\$7,737,284</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, 2021

Total Fund Balances - Governmental Funds	\$ 5,885,680
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.	3,373
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	7,371,143
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	544,120
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>18,718</u>	(2,018,718)
Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.	
Taxes receivable \$ <u>51,033</u>	51,033
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(440,201)</u>
Net Position - Governmental Activities	<u>\$11,396,430</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, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption (Debt Service) Fund	Total Governmental Funds
REVENUES:					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$1,443,584	\$ 979,377	\$ 649,416	\$ --	\$3,072,377
Prior years' ad valorem taxes	27,360	26,082	5,624	--	59,066
Utility taxes	144,548	--	--	--	144,548
Other taxes	1,468	--	--	--	1,468
Penalties and interest on taxes	6,915	5,770	1,901	--	14,586
Earnings on investments and deposits	--	22,287	7,831	2,374	32,492
Cocurricular activities:					
Admissions	12,532	--	--	--	12,532
Other revenue from local sources:					
Rentals	4,995	--	--	--	4,995
Contributions and donations	--	--	300	--	300
Refund of prior years' expenditures	3,463	--	--	--	3,463
Other	14,602	5,041	--	--	19,643
Revenue from Intermediate Sources:					
County sources:					
County apportionment	3,945	--	--	--	3,945
Revenue in lieu of taxes	2,116	--	--	--	2,116
Revenue from State Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid	239,356	--	--	--	239,356
Revenue from Federal Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid received directly from federal government	43,312	--	--	--	43,312
Unrestricted grants-in-aid received from federal government through the state	107,500	--	--	--	107,500
Restricted grants-in-aid received from federal government through the state	<u>102,860</u>	<u>31,885</u>	<u>79,842</u>	<u>--</u>	<u>214,587</u>
TOTAL REVENUES	<u>2,158,556</u>	<u>1,070,442</u>	<u>744,914</u>	<u>2,374</u>	<u>3,976,286</u>
EXPENDITURES:					
Instruction:					
Regular programs:					
Elementary	620,886	28,024	--	--	648,910
Middle/junior high	112,368	--	--	--	112,368
High school	440,280	26,977	--	--	467,257
Special programs:					
Programs for special education	--	--	323,348	--	323,348

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption (Debt Service) Fund	Total Governmental Funds
Educationally deprived Adult continuing education programs:	109,723	--	--	--	109,723
Other adult continuing education programs	3,494	--	--	--	3,494
Support Services:					
Students:					
Guidance	46,383	--	--	--	46,383
Health	142	--	--	--	142
Psychological	--	--	3,958	--	3,958
Speech pathology	--	--	55,597	--	55,597
Student therapy services	--	--	18,829	--	18,829
Instructional staff:					
Improvement of instruction	7,446	--	100	--	7,546
Educational media	82,575	--	--	--	82,575
General administration:					
Board of education	47,246	--	--	--	47,246
Executive administration	100,361	--	--	--	100,361
School administration:					
Office of the principal	167,632	--	--	--	167,632
Business:					
Fiscal services	69,220	--	--	--	69,220
Facilities acquisition and construction	--	6,927	--	--	6,927
Operation and maintenance of plant	249,762	38,102	--	--	287,864
Student transportation	133,719	23,253	--	--	156,972
Food services	--	549	--	--	549
Special education:					
Administrative costs	--	--	25,453	--	25,453
Transportation costs	--	--	4,158	--	4,158
Other special education costs	--	--	60,749	--	60,749
Debt Services	--	31,530	--	--	31,530
Cocurricular Activities:					
Male activities	40,052	9,477	--	--	49,529
Female activities	42,119	2,675	--	--	44,794
Transportation	14,474	--	--	--	14,474
Combined activities	66,965	--	--	--	66,965
Capital Outlay	<u>6,672</u>	<u>119,272</u>	<u>--</u>	<u>--</u>	<u>125,944</u>
TOTAL EXPENDITURES	<u>2,361,519</u>	<u>286,786</u>	<u>492,192</u>	<u>--</u>	<u>3,140,497</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(202,963)</u>	<u>783,656</u>	<u>252,722</u>	<u>2,374</u>	<u>835,789</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	250,000	--	--	166,667	416,667
Transfers out	<u>(52,500)</u>	<u>(416,667)</u>	<u>--</u>	<u>--</u>	<u>(469,167)</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, 2021
(Continued)

	<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>
TOTAL OTHER FINANCING SOURCES (USES)	<u>197,500</u>	<u>(416,667)</u>	--	<u>166,667</u>	<u>(52,500)</u>
NET CHANGE IN FUND BALANCES	(5,463)	366,989	252,722	169,041	783,289
FUND BALANCE - BEGINNING	<u>465,267</u>	<u>2,526,040</u>	<u>417,585</u>	<u>1,693,499</u>	<u>5,102,391</u>
FUND BALANCE - ENDING	<u>\$ 459,804</u>	<u>\$2,893,029</u>	<u>\$ 670,307</u>	<u>\$1,862,540</u>	<u>\$5,885,680</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, 2021

Net Change in Fund Balances - Total Governmental Funds	\$ 783,289
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.	125,944
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.	(212,864)
In the statement of activities, losses \$50,840 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.	(50,840)
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".	(11,118)
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	\$10,075
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.	(163,558)
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>(586)</u>
Change in Net Position of Governmental Activities	\$ <u>480,342</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, 2021

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Funds	
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 17,325	\$18,631	\$ 35,956
Accounts receivable, net	340	--	340
Inventory - materials and supplies	268	--	268
Inventory - stores for resale	5,691	--	5,691
Prepaid expenses	<u>--</u>	<u>623</u>	<u>623</u>
Total Current Assets	<u>23,624</u>	<u>19,254</u>	<u>42,878</u>
Noncurrent Assets:			
Net pension asset	72	83	155
Capital Assets:			
Machinery and equipment - local funds	130,165	--	130,165
Less: accumulated depreciation	<u>(102,665)</u>	<u>--</u>	<u>(102,665)</u>
Total Noncurrent Assets	<u>27,572</u>	<u>83</u>	<u>27,655</u>
TOTAL ASSETS	<u>51,196</u>	<u>19,337</u>	<u>70,533</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	<u>13,148</u>	<u>13,833</u>	<u>26,981</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>13,148</u>	<u>13,833</u>	<u>26,981</u>
LIABILITIES:			
Current Liabilities:			
Contracts payable	6,500	7,158	13,658
Due to General Fund	--	529	529
Payroll deductions and withholdings and employer matching payable	874	795	1,669
Unearned revenue	<u>6,420</u>	<u>--</u>	<u>6,420</u>
TOTAL LIABILITIES	<u>13,794</u>	<u>8,482</u>	<u>22,276</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferred inflows	<u>9,824</u>	<u>11,168</u>	<u>20,992</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>9,824</u>	<u>11,168</u>	<u>20,992</u>
NET POSITION:			
Net investment in capital assets	27,500	--	27,500
Restricted for:			
SDRS pension purposes	3,396	2,748	6,144
Unrestricted net position	<u>9,830</u>	<u>10,772</u>	<u>20,602</u>
TOTAL NET POSITION	<u>\$ 40,726</u>	<u>\$13,520</u>	<u>\$ 54,246</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, 2021

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Funds	
OPERATING REVENUE:			
Food Sales:			
Student	\$ 18,248	\$ --	\$ 18,248
Adult	2,916	--	2,916
Other charges for goods and services	<u>142</u>	<u>16,113</u>	<u>16,255</u>
TOTAL OPERATING REVENUE	<u>21,306</u>	<u>16,113</u>	<u>37,419</u>
OPERATING EXPENSES:			
Salaries	45,664	47,289	92,953
Employee benefits	11,577	16,153	27,730
Purchased services	306	--	306
Supplies	4,644	1,013	5,657
Cost of sales - purchased	50,241	--	50,241
Cost of sales - donated	12,033	--	12,033
Depreciation	<u>7,887</u>	<u>--</u>	<u>7,887</u>
TOTAL OPERATING EXPENSES	<u>132,352</u>	<u>64,455</u>	<u>196,807</u>
OPERATING LOSS	<u>(111,046)</u>	<u>(48,342)</u>	<u>(159,388)</u>
NONOPERATING REVENUE:			
State grants	623	--	623
Federal grants	92,640	8,309	100,949
Donated food	<u>12,033</u>	<u>--</u>	<u>12,033</u>
TOTAL NONOPERATING REVENUE	<u>105,296</u>	<u>8,309</u>	<u>113,605</u>
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	(5,750)	(40,033)	(45,783)
CAPITAL CONTRIBUTIONS	549	--	549
TRANSFERS IN	<u>3,500</u>	<u>49,000</u>	<u>52,500</u>
CHANGE IN NET POSITION	(1,701)	8,967	7,266
NET POSITION - BEGINNING	<u>42,427</u>	<u>4,553</u>	<u>46,980</u>
NET POSITION - ENDING	<u>\$ 40,726</u>	<u>\$ 13,520</u>	<u>\$ 54,246</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, 2021

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers	\$ 20,646	\$ 16,113	\$ 36,759
Cash payments to employees for services	(52,741)	(59,255)	(111,996)
Cash payments to suppliers of goods or services	(58,525)	(1,816)	(60,341)
Net cash used by operating activities	(90,620)	(44,958)	(135,578)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from General Fund	3,500	49,000	52,500
Due from General Fund	--	529	529
Operating grants	103,442	8,309	111,751
Net cash flows from noncapital financing activities	106,942	57,838	164,780
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	--	--	--
CASH FLOWS FROM INVESTING ACTIVITIES	--	--	--
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,322	12,880	29,202
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,003	5,751	6,754
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 17,325	\$ 18,631	\$ 35,956
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</u>			
OPERATING LOSS	\$(111,046)	\$(48,342)	\$(159,388)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
Depreciation	7,887	--	7,887
Value of donated commodities used	12,033	--	12,033
Change in assets and liabilities:			
Receivables	(327)	--	(327)
Inventories	(1,207)	--	(1,207)
Prepaid expenses	--	(623)	(623)
Pension related deferred outflows	(2,483)	(2,857)	(5,340)
Net pension asset	109	127	236
Accounts and other payables	(1,999)	(174)	(2,173)
Contracts payable	893	41	934
Pension related deferred inflows	5,853	6,870	12,723
Unearned revenue	(333)	--	(333)

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Funds	
NET CASH USED BY OPERATING ACTIVITIES	<u>\$(90,620)</u>	<u>\$(44,958)</u>	<u>\$(135,578)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Value of commodities received	\$ 12,033	\$ --	\$ 12,033
Equipment purchased by Capital Outlay Fund	\$ 549	\$ --	\$ 549

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, 2021

	<u>Private-Purpose Trust Funds</u>	<u>Custodial Funds</u>
ASSETS:		
Cash and cash equivalents	\$ <u>14,566</u>	\$ <u>115,943</u>
TOTAL ASSETS	\$ <u>14,566</u>	\$ <u>115,943</u>
NET POSITION:		
Restricted for:		
Organizations	\$ --	\$115,943
Scholarships	<u>14,566</u>	<u> --</u>
TOTAL NET POSITION	\$ <u>14,566</u>	\$ <u>115,943</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, 2021

	<u>Private-Purpose Trust Funds</u>	<u>Custodial Funds</u>
ADDITIONS:		
Contributions and donations	\$ 4,829	\$ --
Collections for student activities	<u> --</u>	<u>104,682</u>
TOTAL ADDITIONS	<u>4,829</u>	<u>104,682</u>
DEDUCTIONS:		
Payments for student activities	--	109,329
Other deductions	<u>9,374</u>	<u> --</u>
TOTAL DEDUCTIONS	<u>9,374</u>	<u>109,329</u>
CHANGE IN NET POSITION	<u>(4,545)</u>	<u>(4,647)</u>
NET POSITION - BEGINNING	19,111	--
RESTATEMENT - IMPLEMENTATION OF GASB 84 (SEE NOTE 2)	<u> --</u>	<u>120,590</u>
NET POSITION - BEGINNING, AS RESTATED	<u>19,111</u>	<u>120,590</u>
NET POSITION - ENDING	<u>\$14,566</u>	<u>\$115,943</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, 2021

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, 2021

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.

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.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - (Continued)

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:

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.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - (Continued)

Custodial Funds - Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The School District maintains custodial funds for the following purposes:

To account for assets held as a custodian 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 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

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - (Continued)

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, 2021, 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. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

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

e. Deposits and Investments:

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

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

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 1 - (Continued)

f. Capital Assets:

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

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

Government-Wide Financial Statements:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at 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, 2021 balance of capital assets for governmental activities includes approximately 2 percent for which the costs were determined by estimates of the original costs. The total June 30, 2021 balance of capital assets for business-type activities includes approximately 27 percent for which the values were determined by estimates of the original costs. 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.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - (Continued)

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

g. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities 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.

h. 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.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - (Continued)

i. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

j. 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.

k. 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 is reported as restricted net position.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - (Continued)

l. 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.

m. Fund Balances Classification Policies and Procedures:

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.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - (Continued)

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund	Property Taxes
Special Education Fund	Federal Funding, Property Taxes

A schedule of fund balances is provided as follows:

Highmore-Harrold School District No 34-2
Disclosure of Fund Balances Reported on Balance Sheet
Governmental Funds
June 30, 2021

	<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	\$ 2,912	\$ --	\$ --	\$ --	\$ 2,912
Prepaid expenses	19,573	--	--	--	19,573
Restricted for:					
Capital Outlay Fund	--	2,893,029	--	--	2,893,029
Special Education Fund	--	--	670,307	--	670,307
Debt Service Requirements	--	--	--	1,862,540	1,862,540
Assigned to:					
Subsequent years budget	278,806	--	--	--	278,806
Unassigned	<u>158,513</u>	--	--	--	<u>158,513</u>
Total Fund Balances	<u>\$459,804</u>	<u>\$2,893,029</u>	<u>\$670,307</u>	<u>\$1,862,540</u>	<u>\$5,885,680</u>

n. 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 - IMPLEMENTATION OF NEW ACCOUNTING STANDARD

In 2021, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities accounting standard. This statement improves

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 - (Continued)

guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of this standard required that the School District present a Statement of Changes in Net Position for Custodial Funds for 2021. The implementation of this standard required the School District to reclassify previously reported agency funds as custodial funds.

NOTE 3 - DEFICIT FUND BALANCES/NET POSITION OF INDIVIDUAL NONMAJOR FUND

As of June 30, 2021, the following individual nonmajor fund had a deficit fund balance/net position in the amount shown:

Drivers Education Fund	\$529
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The Governing Board plans to take the following actions to address this violation: The District will increase the amount allocated to Drivers Education when completing the operating transfer from the General Fund to the Drivers Education Fund.

NOTE 4 - 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 Custodial Funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - In general, SDCL 4-5-6 permits school district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or 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.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 - (Continued)

As of June 30, 2021, the School District 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 5 - 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 9. 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.

NOTE 6 - INVENTORY

Inventory held for consumption is stated at cost.

Inventory for resale is stated at the lower of cost or market. The cost valuation method is 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.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 6 - (Continued)

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 7 - PROPERTY TAXES

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred 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 8 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2021, is as follows:

Primary Government

	<u>Balance</u> <u>07/01/20</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/21</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 8,000	\$ --	\$ --	\$ 8,000
Construction in progress	<u>50,834</u>	<u>--</u>	<u>50,834</u>	<u>--</u>
Total, not being depreciated	<u>58,834</u>	<u>--</u>	<u>50,834</u>	<u>8,000</u>
Capital assets, being depreciated:				
Improvements	703,218	102,850	--	806,068
Buildings	7,942,279	--	--	7,942,279
Machinery and equipment	<u>315,317</u>	<u>23,094</u>	<u>1,469</u>	<u>336,942</u>
Total, being depreciated	<u>8,960,814</u>	<u>125,944</u>	<u>1,469</u>	<u>9,085,289</u>
Less accumulated depreciation for:				
Improvements	64,094	30,635	--	94,729
Buildings	1,293,710	158,742	--	1,452,452
Machinery and equipment	<u>152,941</u>	<u>23,487</u>	<u>1,463</u>	<u>174,965</u>

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 - (Continued)

	<u>Balance</u> <u>07/01/20</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/21</u>
Total accumulated depreciation	1,510,745	212,864	1,463	1,722,146
Total capital assets, being depreciated, net	7,450,069	(86,920)	6	7,363,143
Governmental activity capital assets, net	<u>\$7,508,903</u>	<u>\$ (86,920)</u>	<u>\$50,840</u>	<u>\$7,371,143</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

Instruction	\$ 87,938
Support services	100,687
Cocurricular activities	<u>24,239</u>

Total depreciation expense - governmental activities \$212,864

	<u>Balance</u> <u>07/01/20</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/21</u>
Business-type Activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 129,616	\$ 549	\$ --	\$130,165
Less accumulated depreciation for:				
Machinery and equipment	<u>94,778</u>	<u>7,887</u>	<u>--</u>	<u>102,665</u>
Business-type activity capital assets, net	<u>\$ 34,838</u>	<u>\$(7,338)</u>	<u>\$ --</u>	<u>\$ 27,500</u>

Depreciation expense was charged to functions as follows:

Business-type activities:

Food services	<u>\$ 7,887</u>
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NOTE 9 - LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2021, is as follows:

PRIMARY GOVERNMENT

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Governmental Activities:					
Qualified School Construction Bond	\$2,000,000	\$ --	\$ --	\$2,000,000	\$2,000,000
Total debt	2,000,000	--	--	2,000,000	2,000,000
Accrued compensated absences	<u>28,793</u>	<u>--</u>	<u>10,075</u>	<u>18,718</u>	<u>4,279</u>

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 - (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Total governmental activities	\$ <u>2,028,793</u>	\$ <u>--</u>	\$ <u>10,075</u>	\$ <u>2,018,718</u>	\$ <u>2,004,279</u>

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

Liabilities payable at June 30, 2021, 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

Compensated Absences:

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

\$ 18,718

The annual debt service requirements to maturity, except for compensated absences, for all debt outstanding as of June 30, 2021, are as follows:

Annual Requirements to Maturity for
Long-Term Debt
June 30, 2021

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

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 - 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, 2021.

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, 2021.

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

<u>Year</u>	<u>Capital Outlay Fund</u>
2022	\$33,415

NOTE 11 - INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS

Interfund receivable and payable balances at June 30, 2021, were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$529	\$ --
Drivers Education Fund	\$ --	\$529

NOTE 12 - RESTRICTED NET POSITION

Restricted net position for the year ended June 30, 2021, was as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
Capital Outlay purposes	Law	\$2,913,116
Special Education purposes	Law	676,939
Debt Service purposes	Debt Covenants	1,862,540
Other Purposes:		
SDRS pension purposes	Law	<u>113,436</u>
Total Restricted Net Position		<u>\$5,566,031</u>

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

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2021, were as follows:

<u>Transfers From:</u>	<u>Transfers To:</u>					<u>Total</u>
	<u>General Fund</u>	<u>Bond Redemption Fund</u>	<u>Food Service Fund</u>	<u>Preschool Fund</u>	<u>Drivers Education Fund</u>	
Capital Outlay Fund	\$250,000	\$166,667	\$ --	\$ --	\$ --	\$416,667
General Fund	--	--	3,500	48,000	1,000	52,500
Totals	<u>\$250,000</u>	<u>\$166,667</u>	<u>\$3,500</u>	<u>\$48,000</u>	<u>\$1,000</u>	<u>\$469,167</u>

The Capital Outlay Fund transferred money to the Bond Redemption Fund in accordance with the terms of the Qualified School Construction Bond and to the General Fund to provide money for general operation.

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 and to the Food Service Fund to provide money for general operation of the food service program.

NOTE 14 - 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

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 14 - (Continued)

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:
 - 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, 2021, 2020, and 2019, were \$106,501, \$106,998, and \$105,454, respectively, equal to the required contributions each year.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 - (Continued)

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

At June 30, 2020, SDRS is 100.04% 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, 2021, are as follow:

Proportionate share of pension liability	\$9,988,637
Less proportionate share of net pension restricted for pension benefits	<u>9,992,165</u>
Proportionate share of net pension asset	<u>\$ (3,528)</u>

At June 30, 2021, the School District reported an asset of \$3,528 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020, 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, 2020, the School District's proportion was .0812547%, which is a decrease of .0014078% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the School District recognized pension expense of \$171,762. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 13,500	\$ 2,764
Changes in assumption.	113,668	458,429
Net difference between projected and actual earnings on pension plan investments.	327,992	--
Changes in proportion and difference between District contributions and proportionate share of contributions.	9,440	--
School District contributions subsequent to the measurement date.	<u>106,501</u>	<u>--</u>
TOTAL	<u>\$571,101</u>	<u>\$461,193</u>

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 - (Continued)

\$106,501 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, 2022. 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:

2022	\$(36,335)
2023	(28,159)
2024	6,531
2025	<u>61,370</u>
 TOTAL	 \$ <u>3,407</u>

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.41%

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, 2020 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

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 14 - (Continued)

June 30, 2020 (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%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	<u>2.0%</u>	1.0%
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 (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$1,368,970	\$(3,528)	\$(1,126,206)

Pension Plan Fiduciary Net Position:

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

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15 - 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, 2021, 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 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.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15 - (Continued)

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, 2021, no claims for unemployment benefits were paid. At June 30, 2021, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

NOTE 16 - LITIGATION

At June 30, 2021, the School District was not involved in any litigation.

NOTE 17 - SUBSEQUENT EVENTS

There are no subsequent events through September 23, 2021, 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, 2021

	<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	\$1,483,000	\$1,483,000	\$1,443,584	\$ (39,416)
Prior years' ad valorem taxes	19,000	19,000	27,360	8,360
Utility taxes	140,000	140,000	144,548	4,548
Other taxes	2,500	2,500	1,468	(1,032)
Penalties and interest on taxes	4,700	4,700	6,915	2,215
Cocurricular activities:				
Admissions	12,000	12,000	12,532	532
Other revenue from local sources:				
Rentals	5,700	5,700	4,995	(705)
Contributions and donations	342	342	--	(342)
Refund of prior years' expenditures	--	--	3,463	3,463
Other	13,500	13,500	14,602	1,102
Revenue from Intermediate Sources:				
County sources:				
County apportionment	10,730	10,730	3,945	(6,785)
Revenue in lieu of taxes	2,200	2,200	2,116	(84)
Other	5,100	5,100	--	(5,100)
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	178,000	178,000	239,356	61,356
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received from federal government through the state	--	--	107,500	107,500
Restricted grants-in-aid received from federal government through the state	<u>116,768</u>	<u>116,768</u>	<u>102,860</u>	<u>(13,908)</u>
TOTAL REVENUES	<u>1,993,540</u>	<u>1,993,540</u>	<u>2,115,244</u>	<u>121,704</u>
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	686,950	686,950	620,886	66,064
Middle/junior high	133,700	133,700	112,368	21,332
High school	528,150	528,150	440,280	87,870
Special programs:				
Educationally deprived	126,074	126,074	109,723	16,351
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	--	--	3,494	(3,494)
Support Services:				
Students:				
Guidance	58,729	58,729	46,383	12,346
Health	2,750	2,750	142	2,608
Instructional staff:				
Improvement of instruction	21,050	21,050	7,446	13,604
Educational media	99,938	99,938	89,247	10,691
General administration:				
Board of education	51,650	51,650	47,246	4,404
Executive administration	116,435	116,435	100,361	16,074
School administration:				
Office of the principal	171,932	171,932	167,632	4,300
Business:				
Fiscal services	71,965	71,965	69,220	2,745
Operation and maintenance of plant	318,600	318,600	249,762	68,838
Student transportation services	156,740	156,740	133,719	23,021
Central:				
Staff	3,000	3,000	--	3,000
Cocurricular Activities:				
Male activities	49,820	49,820	40,052	9,768
Female activities	46,550	46,550	42,119	4,431
Transportation	31,250	31,250	14,474	16,776
Combined activities	98,050	98,050	66,965	31,085
Contingencies	40,000	40,000		
Amount transferred		--		40,000
TOTAL EXPENDITURES	<u>2,813,333</u>	<u>2,813,333</u>	<u>2,361,519</u>	<u>451,814</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(819,793)</u>	<u>(819,793)</u>	<u>(246,275)</u>	<u>573,518</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	463,050	463,050	250,000	(213,050)
Transfers out	<u>(81,074)</u>	<u>(81,074)</u>	<u>(52,500)</u>	<u>28,574</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>381,976</u>	<u>381,976</u>	<u>197,500</u>	<u>(184,476)</u>
NET CHANGE IN FUND BALANCES	<u>(437,817)</u>	<u>(437,817)</u>	<u>(48,775)</u>	<u>389,042</u>

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2021
(Continued)

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
FUND BALANCE - BEGINNING	<u>131,090</u>	<u>131,090</u>	<u>131,090</u>	--
FUND BALANCE - ENDING	<u>\$ (306,727)</u>	<u>\$ (306,727)</u>	<u>\$ 82,315</u>	<u>\$ 389,042</u>

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - CAPITAL OUTLAY FUND -
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2021

	<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	\$1,014,000	\$1,014,000	\$ 979,377	\$ (34,623)
Prior years' ad valorem taxes	15,000	15,000	26,082	11,082
Penalties and interest on taxes	4,100	4,100	5,770	1,670
Earnings on investments and deposits	18,000	18,000	22,287	4,287
Other revenue from local sources:				
Other	--	--	5,041	5,041
Revenue from federal sources:				
Grants in aid:				
Restricted grants-in-aid received from federal government through the state	--	--	31,885	31,885
TOTAL REVENUES	<u>1,051,100</u>	<u>1,051,100</u>	<u>1,070,442</u>	<u>19,342</u>
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	87,500	87,500	28,024	59,476
High school	109,000	109,000	26,977	82,023
Support Services:				
Business:				
Fiscal services	5,000	5,000	--	5,000
Facilities acquisition and construction	200,000	200,000	22,115	177,885
Operation and maintenance of plant	168,000	168,000	142,186	25,814
Student transportation services	65,000	65,000	23,253	41,747
Food services	--	--	549	(549)
Debt Services	34,500	34,500	31,530	2,970
Cocurricular Activities:				
Male activities	10,000	10,000	9,477	523
Female activities	9,000	9,000	2,675	6,325
TOTAL EXPENDITURES	<u>688,000</u>	<u>688,000</u>	<u>286,786</u>	<u>401,214</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>363,100</u>	<u>363,100</u>	<u>783,656</u>	<u>420,556</u>
OTHER FINANCING USES:				
Transfers out	<u>(629,716)</u>	<u>(629,716)</u>	<u>(416,667)</u>	<u>213,049</u>

	<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 USES	<u>(629,716)</u>	<u>(629,716)</u>	<u>(416,667)</u>	<u>213,049</u>
NET CHANGE IN FUND BALANCES	<u>(266,616)</u>	<u>(266,616)</u>	<u>366,989</u>	<u>633,605</u>
FUND BALANCE - BEGINNING	<u>2,526,040</u>	<u>2,526,040</u>	<u>2,526,040</u>	<u>--</u>
FUND BALANCE - ENDING	<u>\$2,259,424</u>	<u>\$2,259,424</u>	<u>\$2,893,029</u>	<u>\$633,605</u>

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - SPECIAL EDUCATION FUND -
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2021

	<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	\$ 564,925	\$ 564,925	\$649,416	\$ 84,491
Prior years' ad valorem taxes	1,500	1,500	5,624	4,124
Penalties and interest on taxes	500	500	1,901	1,401
Earnings on investments and deposits	12,000	12,000	7,831	(4,169)
Other revenue from local sources:				
Contributions and donations	--	--	300	300
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>79,842</u>	<u>79,842</u>	<u>79,842</u>	<u>--</u>
TOTAL REVENUES	<u>660,200</u>	<u>660,200</u>	<u>744,914</u>	<u>84,714</u>
EXPENDITURES:				
Instruction:				
Special programs:				
Programs for special education	528,816	528,816	323,348	205,468
Support Services:				
Students:				
Psychological	20,000	20,000	3,958	16,042
Speech pathology	65,276	65,276	55,597	9,679
Student therapy services	34,000	34,000	18,829	15,171
Instructional staff:				
Improvement of instruction	3,750	3,750	100	3,650
Business:				
Student transportation services	21,000	21,000	--	21,000
Special education:				
Administrative costs	38,200	38,200	25,453	12,747
Transportation costs	--	--	4,158	(4,158)
Other special education costs	<u>120,000</u>	<u>120,000</u>	<u>60,749</u>	<u>59,251</u>
TOTAL EXPENDITURES	<u>831,042</u>	<u>831,042</u>	<u>492,192</u>	<u>338,850</u>
NET CHANGE IN FUND BALANCES	(170,842)	(170,842)	252,722	423,564
FUND BALANCE - BEGINNING	<u>417,585</u>	<u>417,585</u>	<u>417,585</u>	<u>--</u>
FUND BALANCE - ENDING	<u>\$ 246,743</u>	<u>\$ 246,743</u>	<u>\$670,307</u>	<u>\$423,564</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, 2021

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, 2021
(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 4 Fiscal Years*			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net pension liability (asset)	0.0812547%	0.0826625%	0.0844836%	0.0855320%
Districts's proportionate share of net pension liability (asset)	\$ (3,528)	\$ (8,760)	\$ (1,969)	\$ (7,762)
District's covered payroll	\$1,783,296	\$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	0.20%	0.50%	0.11%	0.45%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.04%	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 5 Fiscal Years*				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 106,501	\$ 106,998	\$ 105,455	\$ 105,380	\$ 104,270
Contributions in relation to the contractually required contribution	\$ 106,501	\$ 106,998	\$ 105,455	\$ 105,380	\$ 104,270
District's covered payroll	\$1,775,018	\$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%	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, 2021

Changes from Prior Valuation:

The June 30, 2020 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2019 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

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

Benefit Provision Changes:

Legislation enacted in 2020 established a Qualified Benefit Preservation Arrangement (QBPA) under Section 415(m) of the Internal Revenue Code (IRC). The QBPA is effective July 1, 2020, and pays a portion of SDRS benefits that are restricted by IRC Section 415(b). The total benefits paid from SDRS and the QBPA will be limited to the applicable 415(b) annual limit, unreduced for early commencement if Members retire prior to age 62 and actuarially increased for late retirement up to age 70 if Members retire after age 65. The Actuarial Valuation considers benefits payable from both SDRS and the QBPA.

Legislation enacted in 2020 also brought the assets and the liabilities of the South Dakota Department of Labor and Regulation Plan into SDRS effective July 1, 2020. With the exception of the accounting results presented in Section 6 of this report, all exhibits include the assets, liabilities, and member counts of the former Department of Labor and Regulation Plan Members.

Actuarial Assumption Changes:

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% 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, 2019, and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019, and is 1.41% as of June 30, 2020.

The changes in actuarial assumptions due to the 1.41% restricted maximum COLA decreased the Actuarial Accrued Liability by \$595 million, or 4.6% of the Actuarial Accrued Liability based on the 1.88% restricted maximum COLA.

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

Actuarial Method Changes:

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

SUPPLEMENTARY INFORMATION

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2021

	Enterprise Funds		Totals
	Preschool Fund	Drivers Education Fund	
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$18,631	\$ --	\$18,631
Prepaid expenses	<u>623</u>	<u>--</u>	<u>623</u>
Total Current Assets	<u>19,254</u>	<u>--</u>	<u>19,254</u>
Noncurrent assets:			
Net pension asset	<u>83</u>	<u>--</u>	<u>83</u>
Total Noncurrent Assets	<u>83</u>	<u>--</u>	<u>83</u>
TOTAL ASSETS	<u>19,337</u>	<u>--</u>	<u>19,337</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	<u>13,833</u>	<u>--</u>	<u>13,833</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>13,833</u>	<u>--</u>	<u>13,833</u>
LIABILITIES:			
Current Liabilities:			
Contracts payable	7,158	--	7,158
Due to the General Fund	--	529	529
Payroll deductions and withholdings and employer matching payable	<u>795</u>	<u>--</u>	<u>795</u>
TOTAL LIABILITIES	<u>7,953</u>	<u>529</u>	<u>8,482</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferred inflows	<u>11,168</u>	<u>--</u>	<u>11,168</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>11,168</u>	<u>--</u>	<u>11,168</u>
NET POSITION:			
Restricted for:			
SDRS pension purposes	2,748	--	2,748
Unrestricted net position	<u>11,301</u>	<u>(529)</u>	<u>10,772</u>
TOTAL NET POSITION	<u>\$14,049</u>	<u>\$(529)</u>	<u>\$13,520</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, 2021

	Enterprise Funds		
	Preschool Fund	Drivers Education Fund	Totals
OPERATING REVENUE:			
Other charges for goods and services	\$ <u>13,363</u>	\$ <u>2,750</u>	\$ <u>16,113</u>
TOTAL OPERATING REVENUE	<u>13,363</u>	<u>2,750</u>	<u>16,113</u>
OPERATING EXPENSES:			
Salaries	43,789	3,500	47,289
Employee benefits	15,841	312	16,153
Supplies	<u>212</u>	<u>801</u>	<u>1,013</u>
TOTAL OPERATING EXPENSES	<u>59,842</u>	<u>4,613</u>	<u>64,455</u>
OPERATING LOSS	<u>(46,479)</u>	<u>(1,863)</u>	<u>(48,342)</u>
NONOPERATING REVENUE:			
Federal grants	<u>8,309</u>	--	<u>8,309</u>
TOTAL NONOPERATING REVENUE	<u>8,309</u>	--	<u>8,309</u>
LOSS BEFORE TRANSFERS	(38,170)	(1,863)	(40,033)
TRANSFERS IN	<u>48,000</u>	<u>1,000</u>	<u>49,000</u>
CHANGE IN NET POSITION	9,830	(863)	8,967
NET POSITION - BEGINNING	<u>4,219</u>	<u>334</u>	<u>4,553</u>
NET POSITION - ENDING	<u>\$ 14,049</u>	<u>\$ (529)</u>	<u>\$ 13,520</u>