

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2023

Board Members:

Jim Stephenson, President
Jennifer Semmler
Kristi Effling
Derek McCloud
Paula Haiwick
Amy Hoffman
Paul Knox

Superintendent:

Quinton Cermak

Business Manager:

Stacey Hamlin

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 and for the year ended June 30, 2023, 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 December 6, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the

accompanying Schedule of Current Audit Findings as items #2023-001, #2023-002, and #2023-003 that we consider to be material weaknesses.

Report on 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

School District's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School District's responses to the findings identified in our audit and described in the accompanying Schedule of Current Audit Findings. The School District's responses were not subjected to the other 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

December 6, 2023

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

PRIOR AUDIT FINDINGS:

Finding #2022-001

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 finding is restated as current audit finding #2023-001.

Finding #2022-002

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 #2023-002.

Finding #2022-003

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 #2023-003.

Finding #2022-004

The School District went overbudget in the Bond Redemption (Debt Service) Fund because no budget was passed for that fund for the year ended June 30, 2022. This finding has been resolved.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
SCHEDULE OF CURRENT AUDIT FINDINGS
JUNE 30, 2023

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2023-001

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 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 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

Jim Stephenson 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 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 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.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
SCHEDULE OF CURRENT AUDIT FINDINGS
JUNE 30, 2023
(Continued)

Finding #2023-002

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

Jim Stephenson is the contact person responsible for the corrective action plan for this comment. He stated, "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 #2023-003

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).

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
SCHEDULE OF CURRENT AUDIT FINDINGS
JUNE 30, 2023
(Continued)

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.

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

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

COMPLIANCE AND OTHER MATTERS:

There are no compliance and other matters to report.

KOHLMAN, BIERSCHBACH & ANDERSON, LLP
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INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Highmore-Harrold School District No 34-2, South Dakota (School District), as of and for the year ended June 30, 2023, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Highmore-Harrold School District No 34-2 as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair

presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the School District Pension Contributions on pages 46 through 54 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining 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 December 6, 2023 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on

the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.

Kohlman, Bierschbach & Anderson, LLP

December 6, 2023

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS:			
Cash and cash equivalents	\$ 4,697,863	\$ 81,889	\$ 4,779,752
Investments	1,958,827	--	1,958,827
Taxes receivable	1,137,378	--	1,137,378
Inventories	4,349	3,746	8,095
Other assets	128,826	3,762	132,588
Restricted Assets:			
Cash and cash equivalents	--	18,711	18,711
Net pension asset	6,477	243	6,720
Capital assets:			
Land, improvements and construction/development in progress	23,935	--	23,935
Other capital assets, net of depreciation/amortization	<u>7,092,014</u>	<u>14,692</u>	<u>7,106,706</u>
TOTAL ASSETS	<u>15,049,669</u>	<u>123,043</u>	<u>15,172,712</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	<u>651,157</u>	<u>24,316</u>	<u>675,473</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>651,157</u>	<u>24,316</u>	<u>675,473</u>
LIABILITIES:			
Accounts payable	13,297	51	13,348
Other current liabilities	270,440	8,631	279,071
Unearned revenue	--	23,225	23,225
Noncurrent Liabilities:			
Due within one year	13,899	--	13,899
Due in more than one year	<u>50,975</u>	--	<u>50,975</u>
TOTAL LIABILITIES	<u>348,611</u>	<u>31,907</u>	<u>380,518</u>
DEFERRED INFLOWS OF RESOURCES:			
Taxes levied for future period	1,304,706	--	1,304,706
Pension related deferred inflows	<u>376,771</u>	<u>14,192</u>	<u>390,963</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,681,477</u>	<u>14,192</u>	<u>1,695,669</u>
NET POSITION:			
Net investment in capital assets	7,095,360	14,692	7,110,052
Restricted for:			
Capital outlay purposes	3,910,121	--	3,910,121
Special education purposes	1,271,676	--	1,271,676
SDRS pension purposes	280,863	10,367	291,230
Unrestricted	<u>1,112,718</u>	<u>76,201</u>	<u>1,188,919</u>
TOTAL NET POSITION	<u>\$13,670,738</u>	<u>\$101,260</u>	<u>\$13,771,998</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, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
Instruction	\$1,829,667	\$ --	\$269,908	\$61,996	\$ (1,497,763)		\$ (1,497,763)
Support services	1,219,218	--	34,319	--	(1,184,899)		(1,184,899)
*Interest on long-term debt	1,217	--	--	--	(1,217)		(1,217)
Cocurricular activities	<u>233,556</u>	<u>11,316</u>	<u>--</u>	<u>4,998</u>	<u>(217,242)</u>		<u>(217,242)</u>
Total Governmental Activities	<u>3,283,658</u>	<u>11,316</u>	<u>304,227</u>	<u>66,994</u>	<u>(2,901,121)</u>		<u>(2,901,121)</u>
Business-Type Activities:							
Food service	137,009	62,861	82,082	<u>2,899</u>		\$ 10,833	10,833
Preschool	35,071	5,423	10,284	--		(19,364)	(19,364)
Drivers education	<u>4,225</u>	<u>3,025</u>	<u>--</u>	<u>--</u>		<u>(1,200)</u>	<u>(1,200)</u>
Total Business-Type Activities	<u>176,305</u>	<u>71,309</u>	<u>92,366</u>	<u>2,899</u>		<u>(9,731)</u>	<u>(9,731)</u>
Total Primary Government	<u>\$3,459,963</u>	<u>\$82,625</u>	<u>\$396,593</u>	<u>\$69,893</u>	<u>(2,901,121)</u>	<u>(9,731)</u>	<u>(2,910,852)</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:							
Property taxes					2,723,128	--	2,723,128
Utility taxes					136,428	--	136,428
Revenue from state sources:							
State aid					286,915	--	286,915
Other					494,687	--	494,687
Revenue from federal sources							
Grants and contributions not restricted to specific programs					43,234	--	43,234
Unrestricted investment earnings					2,077	--	2,077
Other general revenues					32,706	--	32,706
Transfers					39,581	2,077	41,658
					<u>(10,000)</u>	<u>10,000</u>	<u>--</u>
Total General Revenues and Transfers					<u>3,748,756</u>	<u>12,077</u>	<u>3,760,833</u>
CHANGE IN NET POSITION					847,635	2,346	849,981
NET POSITION - BEGINNING					<u>12,823,103</u>	<u>98,914</u>	<u>12,922,017</u>
NET POSITION - ENDING					<u>\$13,670,738</u>	<u>\$101,260</u>	<u>\$13,771,998</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, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$1,346,911	\$2,517,365	\$ 833,587	\$4,697,863
Investments	--	1,446,329	512,498	1,958,827
Taxes receivable - current	601,729	332,239	191,519	1,125,487
Taxes receivable - delinquent	6,193	3,984	1,714	11,891
Due from state government	72,204	--	--	72,204
Due from county government	38,407	--	--	38,407
Inventories - material and supplies	4,349	--	--	4,349
Prepaid items	<u>18,215</u>	<u>--</u>	<u>--</u>	<u>18,215</u>
TOTAL ASSETS	<u>\$2,088,008</u>	<u>\$4,299,917</u>	<u>\$1,539,318</u>	<u>\$7,927,243</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ 10,644	\$ 1,901	\$ 752	\$ 13,297
Contracts payable	200,482	--	38,398	238,880
Payroll deductions and withholdings and employer matching payable	25,720	--	4,890	30,610
Deposits payable	<u>950</u>	<u>--</u>	<u>--</u>	<u>950</u>
TOTAL LIABILITIES	<u>237,796</u>	<u>1,901</u>	<u>44,040</u>	<u>283,737</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	6,193	3,984	1,714	11,891
Taxes levied for future period	<u>693,209</u>	<u>387,895</u>	<u>223,602</u>	<u>1,304,706</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>699,402</u>	<u>391,879</u>	<u>225,316</u>	<u>1,316,597</u>
FUND BALANCES:				
Nonspendable	22,564	--	--	22,564
Restricted	--	3,906,137	1,269,962	5,176,099
Unassigned	<u>1,128,246</u>	<u>--</u>	<u>--</u>	<u>1,128,246</u>
TOTAL FUND BALANCES	<u>1,150,810</u>	<u>3,906,137</u>	<u>1,269,962</u>	<u>6,326,909</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$2,088,008</u>	<u>\$4,299,917</u>	<u>\$1,539,318</u>	<u>\$7,927,243</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, 2023

Total Fund Balances - Governmental Funds	\$ 6,326,909
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.	6,477
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	7,115,949
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	651,157
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Lease liability \$ 20,589	
Accrued leave <u>44,285</u>	(64,874)
Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.	
Taxes receivable \$ <u>11,891</u>	11,891
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(376,771)</u>
Net Position - Governmental Activities	<u>\$13,670,738</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, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$1,375,559	\$ 756,459	\$ 559,408	\$2,691,426
Prior years' ad valorem taxes	21,189	16,357	10,050	47,596
Utility taxes	136,428	--	--	136,428
Other taxes	978	--	--	978
Penalties and interest on taxes	6,702	4,988	2,937	14,627
Earnings on investments and deposits	--	24,188	8,518	32,706
Cocurricular activities:				
Admissions	11,316	--	--	11,316
Other revenue from local sources:				
Rentals	11,691	--	--	11,691
Contributions and donations	1,368	4,998	709	7,075
Refund of prior years' expenditures	3,510	--	--	3,510
Other	16,564	120	--	16,684
Revenue from Intermediate Sources:				
County sources:				
County apportionment	7,513	--	--	7,513
Revenue in lieu of taxes	3	--	--	3
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	781,602	--	--	781,602
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received directly from federal government	43,234	--	--	43,234
Restricted grants-in-aid received from federal government through the state	<u>204,414</u>	<u>68,960</u>	<u>92,849</u>	<u>366,223</u>
TOTAL REVENUES	<u>2,622,071</u>	<u>876,070</u>	<u>674,471</u>	<u>4,172,612</u>
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	619,072	31,753	--	650,825
Middle/junior high	138,410	--	--	138,410
High school	473,519	38,992	--	512,511
Special programs:				
Programs for special education	--	--	324,714	324,714
Educationally deprived	115,703	11,449	--	127,152

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Support Services:				
Students:				
Attendance and social work	--	651	--	651
Guidance	49,696	--	--	49,696
Health	700	--	--	700
Psychological	--	--	6,400	6,400
Speech pathology	--	--	54,665	54,665
Student therapy services	--	--	18,754	18,754
Instructional staff:				
Improvement of instruction	12,056	--	576	12,632
Educational media	80,987	--	--	80,987
General administration:				
Board of education	45,568	--	--	45,568
Executive administration	104,022	--	--	104,022
School administration:				
Office of the principal	136,422	--	--	136,422
Business:				
Fiscal services	80,682	--	--	80,682
Operation and maintenance of plant	295,480	41,677	--	337,157
Student transportation	115,400	19,989	--	135,389
Special education:				
Administrative costs	--	--	61,315	61,315
Debt Services	--	5,760	--	5,760
Cocurricular Activities:				
Male activities	37,662	6,015	--	43,677
Female activities	33,188	9,418	--	42,606
Transportation	46,724	3,263	--	49,987
Combined activities	74,467	--	--	74,467
Capital Outlay	<u>2,904</u>	<u>35,067</u>	<u>--</u>	<u>37,971</u>
TOTAL EXPENDITURES	<u>2,462,662</u>	<u>204,034</u>	<u>466,424</u>	<u>3,133,120</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>159,409</u>	<u>672,036</u>	<u>208,047</u>	<u>1,039,492</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(10,000)	--	--	(10,000)
General long-term debt issued	--	25,132	--	25,132
Sale of surplus property	<u>--</u>	<u>180</u>	<u>--</u>	<u>180</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(10,000)</u>	<u>25,312</u>	<u>--</u>	<u>15,312</u>
NET CHANGE IN FUND BALANCES	149,409	697,348	208,047	1,054,804
FUND BALANCE - BEGINNING	<u>1,001,401</u>	<u>3,208,789</u>	<u>1,061,915</u>	<u>5,272,105</u>
FUND BALANCE - ENDING	<u>\$1,150,810</u>	<u>\$3,906,137</u>	<u>\$1,269,962</u>	<u>\$6,326,909</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, 2023

Net Change in Fund Balances - Total Governmental Funds		\$1,054,804
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.		37,971
This amount represents the current year depreciation/amortization 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.		(228,474)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.		
Lease	4,543	4,543
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government-wide statements.		
Lease	25,132	(25,132)
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".		(31,499)
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	\$ 2,893	
Sick leave	(2,988)	(95)
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.		35,517
Change in Net Position of Governmental Activities		\$ 847,635

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, 2023

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Funds	
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 58,919	\$22,970	\$ 81,889
Accounts receivable, net	1,973	1,470	3,443
Inventory - materials and supplies	381	--	381
Inventory - stores for resale	3,365	--	3,365
Prepaid items	<u> --</u>	<u> 319</u>	<u> 319</u>
Total Current Assets	<u>64,638</u>	<u>24,759</u>	<u>89,397</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	18,711	--	18,711
Net pension asset	156	87	243
Capital Assets:			
Machinery and equipment - local funds	121,979	--	121,979
Less: accumulated depreciation	<u>(107,287)</u>	<u> --</u>	<u>(107,287)</u>
Total Noncurrent Assets	<u>33,559</u>	<u> 87</u>	<u>33,646</u>
TOTAL ASSETS	<u>98,197</u>	<u>24,846</u>	<u>123,043</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	<u>15,535</u>	<u> 8781</u>	<u>24,316</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>15,535</u>	<u> 8,781</u>	<u>24,316</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	--	51	51
Contracts payable	3,922	3,778	7,700
Payroll deductions and withholdings and employer matching payable	502	429	931
Unearned revenue	<u>23,225</u>	<u> --</u>	<u>23,225</u>
TOTAL LIABILITIES	<u>27,649</u>	<u>4,258</u>	<u>31,907</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferred inflows	<u> 9,109</u>	<u> 5,083</u>	<u>14,192</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u> 9,109</u>	<u> 5,083</u>	<u>14,192</u>
NET POSITION:			
Net investment in capital assets	14,692	--	14,692
Restricted for:			
SDRS pension purposes	6,582	3,785	10,367
Unrestricted net position	<u>55,700</u>	<u>20,501</u>	<u>76,201</u>
TOTAL NET POSITION	<u>\$ 76,974</u>	<u>\$24,286</u>	<u>\$101,260</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, 2023

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Funds	
OPERATING REVENUE:			
Food Sales:			
Student	\$ 60,609	\$ --	\$ 60,609
Adult	1,937	--	1,937
Other charges for goods and services	<u>315</u>	<u>8,448</u>	<u>8,763</u>
TOTAL OPERATING REVENUE	<u>62,861</u>	<u>8,448</u>	<u>71,309</u>
OPERATING EXPENSES:			
Salaries	42,014	27,329	69,343
Employee benefits	14,531	11,385	25,916
Purchased services	1,195	--	1,195
Supplies	6,901	582	7,483
Cost of sales - purchased	56,411	--	56,411
Cost of sales - donated	7,756	--	7,756
Depreciation/amortization	<u>8,201</u>	<u>--</u>	<u>8,201</u>
TOTAL OPERATING EXPENSES	<u>137,009</u>	<u>39,296</u>	<u>176,305</u>
OPERATING LOSS	<u>(74,148)</u>	<u>(30,848)</u>	<u>(104,996)</u>
NONOPERATING REVENUE:			
Other local revenue	11,348	--	11,348
State grants	303	--	303
Federal grants	65,574	10,284	75,858
Donated food	7,756	--	7,756
Gain on disposal of capital assets	<u>2,077</u>	<u>--</u>	<u>2,077</u>
TOTAL NONOPERATING REVENUE	<u>87,058</u>	<u>10,284</u>	<u>97,342</u>
INCOME (LOSS) BEFORE TRANSFERS	12,910	(20,564)	(7,654)
TRANSFERS IN	<u>--</u>	<u>10,000</u>	<u>10,000</u>
CHANGE IN NET POSITION	12,910	(10,564)	2,346
NET POSITION - BEGINNING	<u>64,064</u>	<u>34,850</u>	<u>98,914</u>
NET POSITION - ENDING	<u>\$ 76,974</u>	<u>\$ 24,286</u>	<u>\$ 101,260</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, 2023

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers	\$ 71,418	\$ 9,728	\$ 81,146
Cash payments to employees for services	(56,256)	(39,628)	(95,884)
Cash payments to suppliers of goods or services	(64,439)	(730)	(65,169)
Net cash used by operating activities	<u>(49,277)</u>	<u>(30,630)</u>	<u>(79,907)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from General Fund	--	10,000	10,000
Operating grants	62,978	10,284	73,262
Charitable contributions	<u>11,348</u>	<u>--</u>	<u>11,348</u>
Net cash flows from noncapital financing activities	<u>74,326</u>	<u>20,284</u>	<u>94,610</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of capital assets	2,500	--	2,500
Capital grant	2,899	--	2,899
Purchases of capital assets	<u>(2,899)</u>	<u>--</u>	<u>(2,899)</u>
Net cash provided by capital and related financing activities	<u>2,500</u>	<u>--</u>	<u>2,500</u>
CASH FLOWS FROM INVESTING ACTIVITIES	<u>--</u>	<u>--</u>	<u>--</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	27,549	(10,346)	17,203
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>50,081</u>	<u>33,316</u>	<u>83,397</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 77,630</u>	<u>\$ 22,970</u>	<u>\$ 100,600</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</u>			
OPERATING LOSS	\$(74,148)	\$(30,848)	\$(104,996)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
Depreciation/amortization	8,201	--	8,201
Value of donated commodities used	7,756	--	7,756
Change in assets and liabilities:			
Receivables	(1,507)	1,280	(227)
Inventories	164	--	164
Net pension asset	13,017	15,955	28,972
Pension related deferred outflows	3,167	11,913	15,080

	Enterprise Funds		
	Food Service Fund	Other Enterprise Funds	Totals
Prepaid expenses	--	316	316
Accounts and other payables	(84)	(874)	(958)
Contracts payable	123	(3,630)	(3,507)
Pension related deferred inflows	(16,030)	(24,742)	(40,772)
Unearned revenue	<u>10,064</u>	<u>--</u>	<u>10,064</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$(49,277)</u>	<u>\$(30,630)</u>	<u>\$(79,907)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Value of commodities received	\$ 7,756	\$ --	\$ 7,756

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, 2023

	<u>Private-Purpose Trust Funds</u>	<u>Custodial Funds</u>
ASSETS:		
Cash and cash equivalents	\$ <u>7,381</u>	\$ <u>121,398</u>
TOTAL ASSETS	\$ <u>7,381</u>	\$ <u>121,398</u>
NET POSITION:		
Restricted for:		
Organizations	\$ --	\$121,398
Scholarships	<u>7,381</u>	<u> --</u>
TOTAL NET POSITION	\$ <u>7,381</u>	\$ <u>121,398</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, 2023

	<u>Private-Purpose Trust Funds</u>	<u>Custodial Funds</u>
ADDITIONS:		
Contributions and donations	\$ 7,236	\$ --
Collections for student activities	<u> --</u>	<u>138,854</u>
TOTAL ADDITIONS	<u>7,236</u>	<u>138,854</u>
DEDUCTIONS:		
Payments for student activities	--	129,381
Other deductions	<u>8,335</u>	<u> --</u>
TOTAL DEDUCTIONS	<u>8,335</u>	<u>129,381</u>
CHANGE IN NET POSITION	(1,099)	9,473
NET POSITION - BEGINNING	<u>8,480</u>	<u>111,925</u>
NET POSITION - ENDING	<u>\$ 7,381</u>	<u>\$121,398</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, 2023

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, 2023

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.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 1 - (Continued)

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, 2023

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, 2023

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, 2023, are for federal, state, and county reimbursements and miscellaneous receivables.

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

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

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

d. Deposits and Investments:

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

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

e. Capital Assets:

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

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 acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 1 - (Continued)

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.

The total June 30, 2023 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, 2023 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.

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

Depreciation/amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation/Amortization, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation/amortization is reported on the government-wide Statement of Net Position and on the proprietary fund's 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/Amortization 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.
Intangible Lease Assets	\$ 500	Straight-line	3 to 10 yrs.

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

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - (Continued)

used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

f. Long-Term Liabilities:

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

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

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

g. Leases:

Lessee:

The School District is a lessee for a noncancellable lease of copiers. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$1 or more.

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

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

- The School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for leases.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - (Continued)

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School District is reasonably certain to exercise.

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

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

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.

i. Deferred Inflows and Deferred Outflows of Resources:

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

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

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - (Continued)

j. 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.

k. 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.

l. 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.

m. Application of Net Position:

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - (Continued)

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.

n. 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 follows:

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

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

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

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

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

The Nonspendable Fund Balance is comprised of the following:

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

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

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

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

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - (Continued)

<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, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Inventory	\$ 4,349	\$ --	\$ --	\$ 4,349
Prepaid expenses	18,215	--	--	18,215
Restricted for:				
Capital Outlay Fund	--	3,906,137	--	3,906,137
Special Education Fund	--	--	1,269,962	1,269,962
Unassigned	<u>1,128,246</u>	<u>--</u>	<u>--</u>	<u>1,128,246</u>
Total Fund Balances	<u>\$1,150,810</u>	<u>\$3,906,137</u>	<u>\$1,269,962</u>	<u>\$6,326,909</u>

o. Pensions:

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

NOTE 2 - IMPLEMENTATION OF NEW ACCOUNTING STANDARD

In 2023, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements. This statement changes the way that subscription-based information technology arrangements are reported. The effect of the implementation of this standard had no effect on the financial statements.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 3 - 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 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.

As of June 30, 2023, 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.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 4 - RESTRICTED CASH AND INVESTMENTS

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

Amount:

\$18,711

Purpose:

Food Service restriction for certain foods as required by the federal government.

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.

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.

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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 inflow of resources-property taxes levied for future period 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, 2023, is as follows:

Primary Government

	<u>Balance</u> <u>07/01/22</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/23</u>
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 14,000	\$ --	\$ --	\$ 14,000
Construction/Development in progress	<u> --</u>	<u> 9,935</u>	<u> --</u>	<u> 9,935</u>
Total, not being depreciated/amortized	<u> 14,000</u>	<u> 9,935</u>	<u> --</u>	<u> 23,935</u>
Capital assets, being depreciated/amortized:				
Improvements	843,372	--	--	843,372
Buildings	7,942,279	--	--	7,942,279
Machinery and equipment	448,443	2,904	1,100	450,247
Intangible lease assets	<u> --</u>	<u> 25,132</u>	<u> --</u>	<u> 25,132</u>
Total, being depreciated/amortized	<u>9,234,094</u>	<u> 28,036</u>	<u> 1,100</u>	<u>9,261,030</u>
Less accumulated depreciation/amortization for:				
Improvements	127,190	32,461	--	159,651
Buildings	1,611,194	158,742	--	1,769,936
Machinery and equipment	203,258	32,245	1,100	234,403
Intangible lease assets	<u> --</u>	<u> 5,026</u>	<u> --</u>	<u> 5,026</u>
Total accumulated depreciation/amortization	<u>1,941,642</u>	<u> 228,474</u>	<u> 1,100</u>	<u>2,169,016</u>
Total capital assets, being depreciated/amortized, net	<u>7,292,452</u>	<u>(200,438)</u>	<u> --</u>	<u>7,092,014</u>
Governmental activity capital assets, net	<u>\$7,306,452</u>	<u>\$(190,503)</u>	<u> --</u>	<u>\$7,115,949</u>

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 - (Continued)

Depreciation/amortization expense was charged to functions as follows:

Governmental activities:		
Instruction	\$100,112	
Support services	104,123	
Cocurricular activities	<u>24,239</u>	
Total depreciation/amortization expense - governmental activities		<u>\$228,474</u>

	Balance 07/01/22	Increases	Decreases	Balance 06/30/23
Business-type Activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$131,041	\$ 2,899	\$11,961	\$121,979
Less accumulated depreciation for:				
Machinery and equipment	<u>110,624</u>	<u>8,201</u>	<u>11,538</u>	<u>107,287</u>
Business-type activity capital assets, net	<u>\$ 20,417</u>	<u>\$(5,302)</u>	<u>\$ 423</u>	<u>\$ 14,692</u>

Depreciation expense was charged to functions as follows:

Business-type activities:		
Food services		<u>\$ 8,201</u>

Construction/development in progress at June 30, 2023, is composed of the following:

Project Name	Project Authorization	Expended Thru 06/30/2023	Committed	Required Future Financing
Track project	\$--	\$ 9,935	\$--	\$--

NOTE 9 - LONG-TERM LIABILITIES

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

PRIMARY GOVERNMENT

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities:					
Leases	\$ --	\$25,132	\$4,543	\$20,589	\$4,722
Total debt	--	25,132	4,543	20,589	4,722

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 - (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Accrued compensated absences	44,190	2,988	2,893	44,285	9,177
Total governmental activities	\$44,190	\$28,120	\$7,436	\$64,874	\$13,899

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

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

PRIMARY GOVERNMENT

Governmental Activities:

Compensated Absences:

Payable for accrued vacation leave and accrued sick leave generally paid from the General Fund or the Special Education Fund, whichever the employee's most recent compensation has been paid.

\$ 44,285

NOTE 10 - LEASES

The School District has a lease for a copier for 5 years beginning July 2022, which was being paid out of the Capital Outlay Fund. The School District paid a total of \$5,760 for the copier lease from the Capital Outlay Fund for the year ended June 30, 2023.

The School District has a 10-month 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, 2023.

The future principal and interest lease payments as of June 30, 2023, were as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 4,722	\$1,038	\$ 5,760
2025	4,995	765	5,760
2026	5,283	477	5,760
2027	5,589	172	5,761
	<u>\$20,589</u>	<u>\$2,452</u>	<u>\$23,041</u>

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 11 - RESTRICTED NET POSITION

Restricted net position for the year ended June 30, 2023, was as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
Capital Outlay purposes	Law	\$3,910,121
Special Education purposes	Law	1,271,676
Other Purposes:		
SDRS pension purposes	Law	<u>291,230</u>
Total Restricted Net Position		<u>\$5,473,027</u>

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

NOTE 12 - INTERFUND TRANSFERS

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

<u>Transfers From:</u>	<u>Transfers to:</u>		
	<u>Preschool Fund</u>	<u>Drivers Education Fund</u>	<u>Total</u>
General Fund	<u>\$7,500</u>	<u>\$2,500</u>	<u>\$10,000</u>
Totals	<u>\$7,500</u>	<u>\$2,500</u>	<u>\$10,000</u>

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.

NOTE 13 - 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 hybrid 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,

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 13 - (Continued)

administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605)773-3731.

Benefits Provided:

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

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

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

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

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

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 13 - (Continued)

- 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.

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

All benefits except those depending on the Member’s Accumulated Contributions are annually increased by the Cost-of-Living 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, 2023, 2022, and 2021, were \$107,890, \$101,894, and \$106,501, respectively, equal to the required contributions each year.

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

At June 30, 2022, SDRS is 100.1% 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 this measurement period ending June 30, 2022, and reported by the School District as of June 30, 2023, are as follows:

Proportionate share of pension liability	\$10,039,740
Less proportionate share of net pension restricted for pension benefits	<u>10,046,460</u>
Proportionate share of net pension asset	<u>\$ (6,720)</u>

At June 30, 2023, the School District reported an asset of \$6,720 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022, 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, 2022, the School District’s proportion was .071120%, which is a decrease of .007098% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized a reduction of expense of \$32,237. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 13 - (Continued)

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$127,945	\$ 436
Changes in assumption.	427,184	374,370
Net difference between projected and actual earnings on pension plan investments.	--	16,107
Changes in proportion and difference between School District contributions and proportionate share of contributions.	12,454	50
School District contributions subsequent to the measurement date.	<u>107,890</u>	--
TOTAL	<u>\$675,473</u>	<u>\$ 390,963</u>

\$107,890 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:

2024	\$ 48,857
2025	96,688
2026	(103,314)
2027	<u>134,389</u>
TOTAL	<u>\$ 176,620</u>

Actuarial Assumptions:

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

Inflation 2.25 percent

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 13 - (Continued)

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

Mortality Rates:

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

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

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

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

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 13 - (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	<u>2.0%</u>	0.4%
 Total	 <u>100.0%</u>	

Discount Rate:

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

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)	\$1,395,613	\$(6,720)	\$(1,152,799)

Pension Plan Fiduciary Net Position:

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

NOTE 14 - 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

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 14 - (Continued)

period ended June 30, 2023, 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, 2023

NOTE 14 - (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, 2023, no claims for unemployment benefits were paid. At June 30, 2023, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

NOTE 15 - LITIGATION

At June 30, 2023, the School District was not involved in any litigation.

NOTE 16 - SUBSEQUENT EVENTS

There are no subsequent events through December 6, 2023, 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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$1,406,190	\$1,406,190	\$1,375,559	\$(30,631)
Prior years' ad valorem taxes	19,000	19,000	21,189	2,189
Utility taxes	140,000	140,000	136,428	(3,572)
Other taxes	1,500	1,500	978	(522)
Penalties and interest on taxes	6,750	6,750	6,702	(48)
Cocurricular activities:				
Admissions	11,750	11,750	11,316	(434)
Other revenue from local sources:				
Rentals	5,400	5,400	11,691	6,291
Contributions and donations	--	--	1,368	1,368
Refund of prior years' expenditures	--	--	3,510	3,510
Other	7,000	7,000	16,564	9,564
Revenue from Intermediate Sources:				
County sources:				
County apportionment	4,000	4,000	7,513	3,513
Revenue in lieu of taxes	2,000	2,000	3	(1,997)
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	777,050	777,050	781,602	4,552
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	<u>206,641</u>	<u>206,641</u>	<u>204,414</u>	<u>(2,227)</u>
TOTAL REVENUES	<u>2,587,281</u>	<u>2,587,281</u>	<u>2,578,837</u>	<u>(8,444)</u>
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	638,863	638,863	619,072	19,791
Middle/junior high	145,971	145,971	138,410	7,561
High school	503,265	503,265	473,519	29,746
Special programs:				
Educationally deprived	119,272	119,272	115,703	3,569
Support Services:				
Students:				
Guidance	50,185	50,185	49,696	489
Health	1,500	1,500	700	800

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Instructional staff:				
Improvement of instruction	18,208	18,208	12,056	6,152
Educational media	91,852	91,852	83,891	7,961
General administration:				
Board of education	57,325	57,325	45,568	11,757
Executive administration	117,401	117,401	104,022	13,379
School administration:				
Office of the principal	159,912	159,912	136,422	23,490
Business:				
Fiscal services	83,119	83,119	80,682	2,437
Operation and maintenance of plant	319,706	319,706	295,480	24,226
Student transportation services	138,500	138,500	115,400	23,100
Cocurricular Activities:				
Male activities	41,875	41,875	37,662	4,213
Female activities	35,375	35,375	33,188	2,187
Transportation	68,850	68,850	46,724	22,126
Combined activities	94,350	94,350	74,467	19,883
Contingencies	50,000	50,000		
Amount transferred		--		<u>50,000</u>
 TOTAL EXPENDITURES	 <u>2,735,529</u>	 <u>2,735,529</u>	 <u>2,462,662</u>	 <u>272,867</u>
 EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	 <u>(148,248)</u>	 <u>(148,248)</u>	 <u>116,175</u>	 <u>264,423</u>
 OTHER FINANCING SOURCES (USES):				
Transfers in	341,066	341,066	--	(341,066)
Transfers out	<u>(101,230)</u>	<u>(101,230)</u>	<u>(10,000)</u>	<u>91,230</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>239,836</u>	 <u>239,836</u>	 <u>(10,000)</u>	 <u>(249,836)</u>
 NET CHANGE IN FUND BALANCES	 91,588	 91,588	 106,175	 14,587
 FUND BALANCE - BEGINNING	 <u>613,137</u>	 <u>613,137</u>	 <u>613,137</u>	 <u>--</u>
 FUND BALANCE - ENDING	 <u>\$ 704,725</u>	 <u>\$ 704,725</u>	 <u>\$ 719,312</u>	 <u>\$ 14,587</u>

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - CAPITAL OUTLAY FUND -
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2023

	<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	\$ 757,924	\$ 757,924	\$ 756,459	\$ (1,465)
Prior years' ad valorem taxes	15,000	15,000	16,357	1,357
Penalties and interest on taxes	4,500	4,500	4,988	488
Earnings on investments and deposits	20,000	20,000	24,188	4,188
Other revenue from local sources:				
Contributions and donations	--	--	4,998	4,998
Other	--	--	120	120
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	<u>125,537</u>	<u>125,537</u>	<u>68,960</u>	<u>(56,577)</u>
TOTAL REVENUES	<u>922,961</u>	<u>922,961</u>	<u>876,070</u>	<u>(46,891)</u>
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	58,350	58,350	44,319	14,031
High school	73,250	73,250	51,558	21,692
Special Programs:				
Educationally deprived	11,176	11,176	11,449	(273)
Support Services:				
Students:				
Attendance and social work	--	--	651	(651)
Business:				
Fiscal services	5,000	5,000	--	5,000
Facilities acquisition and construction	600,000	600,000	9,935	590,065
Operation and maintenance of plant	119,000	119,000	41,677	77,323
Student transportation services	105,470	105,470	19,989	85,481
Food services	14,500	14,500	--	14,500
Debt Services	--	--	5,760	(5,760)
Cocurricular Activities:				
Male activities	5,250	5,250	6,015	(765)
Female activities	13,250	13,250	9,418	3,832
Transportation	<u>--</u>	<u>--</u>	<u>3,263</u>	<u>(3,263)</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 EXPENDITURES	<u>1,005,246</u>	<u>1,005,246</u>	<u>204,034</u>	<u>801,212</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(82,285)</u>	<u>(82,285)</u>	<u>672,036</u>	<u>754,321</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(341,066)	(341,066)	--	341,066
Proceeds of general long-term liabilities	--	--	25,132	25,132
Sale of surplus property	<u>--</u>	<u>--</u>	<u>180</u>	<u>180</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(341,066)</u>	<u>(341,066)</u>	<u>25,312</u>	<u>366,378</u>
NET CHANGE IN FUND BALANCES	(423,351)	(423,351)	697,348	1,120,699
FUND BALANCE - BEGINNING	<u>3,208,789</u>	<u>3,208,789</u>	<u>3,208,789</u>	<u>--</u>
FUND BALANCE - ENDING	<u>\$2,785,438</u>	<u>\$2,785,438</u>	<u>\$3,906,137</u>	<u>\$1,120,699</u>

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - SPECIAL EDUCATION FUND -
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2023

	<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	\$ 575,681	\$ 575,681	\$ 559,408	\$ (16,273)
Prior years' ad valorem taxes	7,500	7,500	10,050	2,550
Penalties and interest on taxes	2,000	2,000	2,937	937
Earnings on investments and deposits	7,500	7,500	8,518	1,018
Other revenue from local sources:				
Contributions and donations	--	--	709	709
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	<u>98,980</u>	<u>98,980</u>	<u>92,849</u>	<u>(6,131)</u>
TOTAL REVENUES	<u>691,661</u>	<u>691,661</u>	<u>674,471</u>	<u>(17,190)</u>
EXPENDITURES:				
Instruction:				
Special programs:				
Programs for special education	337,123	337,123	324,714	12,409
Support Services:				
Students:				
Psychological	15,000	15,000	6,400	8,600
Speech pathology	64,909	64,909	54,665	10,244
Student therapy services	27,500	27,500	18,754	8,746
Instructional staff:				
Improvement of instruction	3,250	3,250	576	2,674
Special education:				
Administrative costs	58,721	58,721	61,315	(2,594)
Transportation costs	5,000	5,000	--	5,000
Other special education costs	<u>25,000</u>	<u>25,000</u>	<u>--</u>	<u>25,000</u>
TOTAL EXPENDITURES	<u>536,503</u>	<u>536,503</u>	<u>466,424</u>	<u>70,079</u>
NET CHANGE IN FUND BALANCES	155,158	155,158	208,047	52,889
FUND BALANCE - BEGINNING	<u>1,061,915</u>	<u>1,061,915</u>	<u>1,061,915</u>	<u>--</u>
FUND BALANCE - ENDING	<u>\$1,217,073</u>	<u>\$1,217,073</u>	<u>\$1,269,962</u>	<u>\$ 52,889</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, 2023

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, 2023
(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 6 Fiscal Years*					
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net pension liability (asset)	0.0711200%	0.0782180%	0.0812547%	0.0826625%	0.0844836%	0.0855320%
Districts' proportionate share of net pension liability (asset)	\$(6,720)	\$(599,016)	\$ (3,528)	\$ (8,760)	\$ (1,969)	\$ (7,762)
District's covered payroll	\$1,698,236	\$1,775,018	\$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	0.40%	33.75%	0.20%	0.50%	0.11%	0.45%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	105.52%	100.04%	100.09%	100.02%	100.10%

*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 7 Fiscal Years*						
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 107,890	\$ 101,894	\$ 106,501	\$ 106,998	\$ 105,455	\$ 105,380	\$ 104,270
Contributions in relation to the contractually required contribution	\$ 107,890	\$ 101,894	\$ 106,501	\$ 106,998	\$ 105,455	\$ 105,380	\$ 104,270
District's covered payroll	\$1,798,160	\$1,698,236	\$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%	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, 2023

Changes from Prior Valuation:

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

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

Benefit Provision Changes:

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

Actuarial Assumption Changes:

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

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

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

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

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

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, 2023
(Continued)

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

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

Actuarial Method Changes:

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

SUPPLEMENTARY INFORMATION

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2023

	Enterprise Funds		Totals
	Preschool Fund	Drivers Education Fund	
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$20,263	\$2,707	\$22,970
Accounts receivable, net	1,195	275	1,470
Prepaid items	<u>319</u>	<u>--</u>	<u>319</u>
Total Current Assets	<u>21,777</u>	<u>2,982</u>	<u>24,759</u>
Noncurrent assets:			
Net pension asset	<u>87</u>	<u>--</u>	<u>87</u>
Total Noncurrent Assets	<u>87</u>	<u>--</u>	<u>87</u>
TOTAL ASSETS	<u>21,864</u>	<u>2,982</u>	<u>24,846</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	<u>8,781</u>	<u>--</u>	<u>8,781</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>8,781</u>	<u>--</u>	<u>8,781</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	--	51	51
Contracts payable	3,778	--	3,778
Payroll deductions and withholdings and employer matching payable	<u>429</u>	<u>--</u>	<u>429</u>
TOTAL LIABILITIES	<u>4,207</u>	<u>51</u>	<u>4,258</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferred inflows	<u>5,083</u>	<u>--</u>	<u>5,083</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>5,083</u>	<u>--</u>	<u>5,083</u>
NET POSITION:			
Restricted for:			
SDRS pension purposes	3,785	--	3,785
Unrestricted net position	<u>17,570</u>	<u>2,931</u>	<u>20,501</u>
TOTAL NET POSITION	<u>\$21,355</u>	<u>\$2,931</u>	<u>\$24,286</u>

HIGHMORE-HARROLD SCHOOL DISTRICT NO 34-2
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2023

	Enterprise Funds		
	Preschool Fund	Drivers Education Fund	Totals
OPERATING REVENUE:			
Other charges for goods and services	\$ <u>5,423</u>	\$ <u>3,025</u>	\$ <u>8,448</u>
TOTAL OPERATING REVENUE	<u>5,423</u>	<u>3,025</u>	<u>8,448</u>
OPERATING EXPENSES:			
Salaries	23,829	3,500	27,329
Employee benefits	11,117	268	11,385
Supplies	<u>125</u>	<u>457</u>	<u>582</u>
TOTAL OPERATING EXPENSES	<u>35,071</u>	<u>4,225</u>	<u>39,296</u>
OPERATING LOSS	<u>(29,648)</u>	<u>(1,200)</u>	<u>(30,848)</u>
NONOPERATING REVENUE:			
Federal grants	<u>10,284</u>	--	<u>10,284</u>
TOTAL NONOPERATING REVENUE	<u>10,284</u>	--	<u>10,284</u>
LOSS BEFORE TRANSFERS	(19,364)	(1,200)	(20,564)
TRANSFERS IN	<u>7,500</u>	<u>2,500</u>	<u>10,000</u>
CHANGE IN NET POSITION	(11,864)	1,300	(10,564)
NET POSITION - BEGINNING	<u>33,219</u>	<u>1,631</u>	<u>34,850</u>
NET POSITION - ENDING	<u>\$21,355</u>	<u>\$2,931</u>	<u>\$24,286</u>