

**HARRISBURG SCHOOL
DISTRICT NO. 41-2**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2021

HARRISBURG SCHOOL DISTRICT NO 41-2
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2021

School Board

Linda Heerde

Mike Knudson

Terra Vennard

Lisa Groon

Jay Hutton

Business Manager

Jennifer Conway

Superintendent

Tim Graf

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QUAM, BERGLIN & POST, P.C.

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INDEPENDENT AUDITOR'S REPORT

School Board
Harrisburg School District No. 41-2
Lincoln County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Harrisburg School District No. 41-2, Lincoln County, South Dakota, as of June 30, 2021 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Harrisburg School District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Basis for Qualified Opinions

Management has elected not to record their long-term financial obligations and commitments related to other postemployment benefits (OPEB) in the governmental activities Statement of Net Position. Accounting principles generally accepted in the United States of America require OPEB costs to be recognized and reported in a systematic, accrual-basis measurement over a period that approximates employees' years of service, which would most likely increase long-term liabilities and expenditures and decrease net assets in the governmental activities Statement of Net Position. Accounting principles generally accepted in the United States of America also require information to be provided about actuarial accrued liabilities associated with OPEB and whether, and to what extent, progress is being made in funding the plan. The amount by which this departure would affect the liabilities, net position and expenditures of the governmental activities is not reasonably determinable.

Qualified Opinions

In our opinion, except for the effects of not recording their long-term financial obligations and commitments related to OPEB as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Harrisburg School District as of June 30, 2021, and the respective changes in financial position and, where applicable cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information for the Harrisburg School District No. 41-2 as of June 30, 2021, and the respective changes in financial position and, where applicable cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) listed in the Table of Contents, is presented for purposes of

additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2022, on our consideration for the Harrisburg School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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's internal control over financial reporting and compliance.



Quam, Berglin & Post, P.C.
Certified Public Accountants

March 14, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Harrisburg School District 41-2's annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year ended on June 30, 2021. Please read it in conjunction with the School District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position from governmental and business-type activities increased approximately \$2,658,555.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Harrisburg School District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the District's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the school operates like businesses. The only proprietary fund operated by the school is the Food Service Operation.
 - Fiduciary fund statements provide information about the financial relationships - like scholarship plans for graduating students - in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1

**Required Components of Harrisburg School District No. 41-2's
Annual Financial Report**

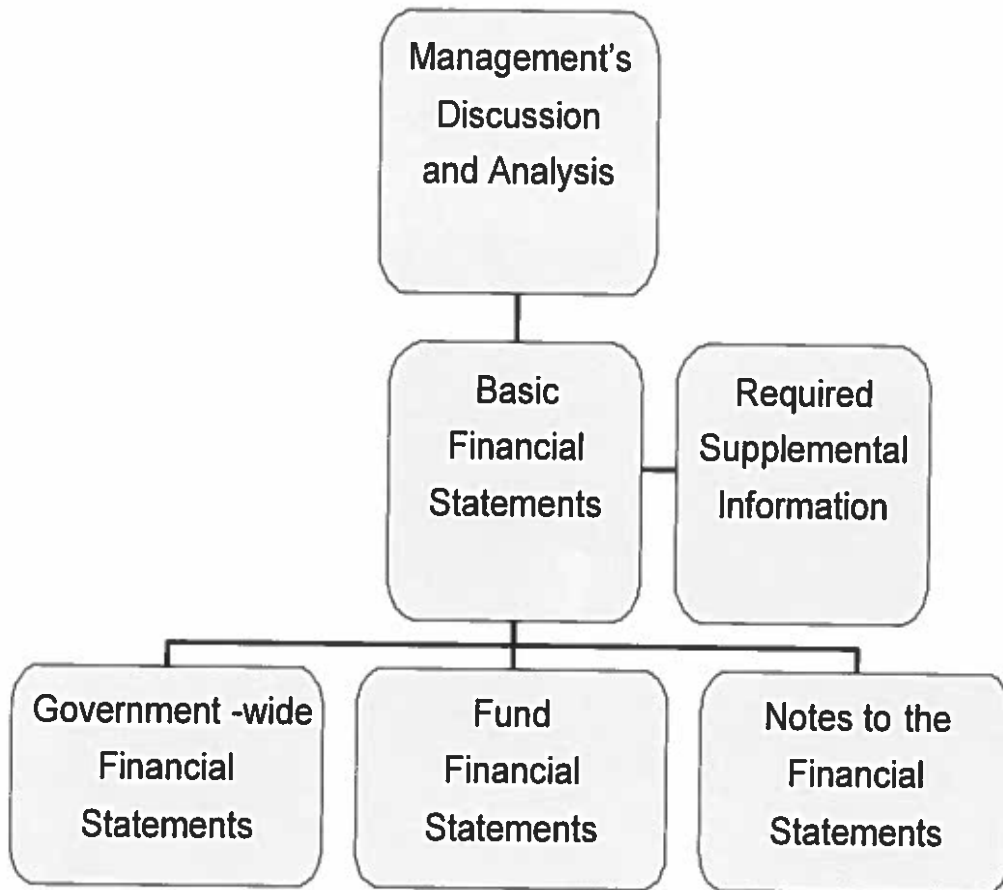


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the School government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2

Major Features of Harrisburg School's Government-wide and Fund Financial Statements

	Government-wide Statements	Governmental Funds	Fund Statements Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs.	Activities the School operates similar to private businesses, the food service operation.	Instances in which the School is the trustee or agent for someone else's resources.
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows	*Statement of Net Position *Statement of Changes in Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expense during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional non-financial factors such as changes in the District's property tax base and changes in the state school aid funding formula from the State of South Dakota.

The government-wide financial statements of the District are reported in two categories:

- **Governmental Activities** - This category includes the District's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** - The school charges a fee to students to help cover the costs of providing hot lunch services to all students. The school also charges a Driver's Education Fee to pay for the costs incurred with providing a Driver's education program which is offered to anyone. These two funds are the only business-type activities of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the School as a whole. Funds are accounting devices that the School uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes (like the Scholarship Trust).

The School has three kinds of funds:

- **Governmental Funds** – Most of the District's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the School charges customers a fee are generally reported in proprietary funds. Proprietary fund statements offer short- and long-term financial information about the activities that the school operates like businesses. Two proprietary funds are operated by the school; Food Service and Driver's Education.
- **Fiduciary Funds** – The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the School cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Statement of Net Position

The District's combined net position changed as follows:

Table A-1
HARRISBURG SCHOOL DISTRICT #41-2
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2021	2020	2021	2020	2021
Current and Other Assets	\$ 108,653,142.79	\$ 92,097,991.08	\$ 943,920.18	\$1,268,267.91	\$ 109,597,062.97	\$ 93,366,258.95
Capital Assets	146,772,372.52	150,432,115.56	41,601.09	29,658.15	146,813,973.61	150,461,773.71
Total Assets	255,425,515.31	242,530,106.64	985,521.27	1,297,926.06	256,411,036.58	243,828,032.70
Pension Related Deferred Outflows	7,188,768.58	9,919,928.56			7,188,768.58	9,919,928.56
Total Deferred Outflows of Resources	7,188,768.58	9,919,928.56			7,188,768.58	9,919,928.56
Long-Term Debt Outstanding	204,709,703.94	185,625,193.27			204,709,703.94	185,625,193.27
Other Liabilities	5,626,110.58	6,564,867.33	322,271.94	324,399.42	5,948,382.52	6,889,266.75
Total Liabilities	210,335,814.52	192,190,060.60	322,271.94	324,399.42	210,658,086.46	192,514,460.02
Taxes levied for Future Period	18,321,347.33	19,112,664.57			18,321,347.33	19,112,664.57
Pension Related Deferred Inflows	3,722,739.87	8,564,649.87			3,722,739.87	8,564,649.87
Total Deferred Inflows of Resources	22,044,087.20	27,677,314.44			22,044,087.20	27,677,314.44
Net Position:						
Net Investment in Capital Assets	3,060,115.98	2,219,959.33	41,601.09	29,658.15	3,101,717.07	2,249,617.48
Restricted	21,822,251.29	23,479,298.92			21,822,251.29	23,479,298.92
Unrestricted	5,352,014.90	6,883,401.91	621,648.24	943,868.49	5,973,663.14	7,827,270.40
Total Net Position	30,234,382.17	32,582,660.16	663,249.33	973,526.64	30,897,631.50	33,556,186.80
Beginning Net Assets	25,789,086.20	30,234,382.17	668,456.05	663,249.33	26,457,542.25	30,897,631.50
Increase (Decrease) in Net Position	4,445,295.97	2,348,277.99	(5,206.72)	310,277.31	4,440,089.25	2,658,555.30
Ending Net Position	\$ 30,234,382.17	\$ 32,582,660.16	\$ 663,249.33	\$ 973,526.64	\$ 30,897,631.50	\$ 33,556,186.80
Percentage of Increase (Decrease) in Net Position	17.24%	7.77%	-0.78%	46.78%	16.78%	8.60%

This section is used to explain the differences between the current and prior year's assets, liabilities, and changes in net position.

The Statement of Net position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount

due in more than one year. The long-term liabilities of the school, consisting of general obligation bonds payable, capital outlay certificates payable, early retirement benefits payable, and capital financing leases payable have been reported in this manner on the Statement of Net position. The difference between the District's assets and liabilities is its net position.

GOVERNMENTAL ACTIVITIES

Table A-2 and the narrative that follows consider the operations of the governmental activities.

Table A-2
HARRISBURG SCHOOL DISTRICT #41-2
Changes in Net Position

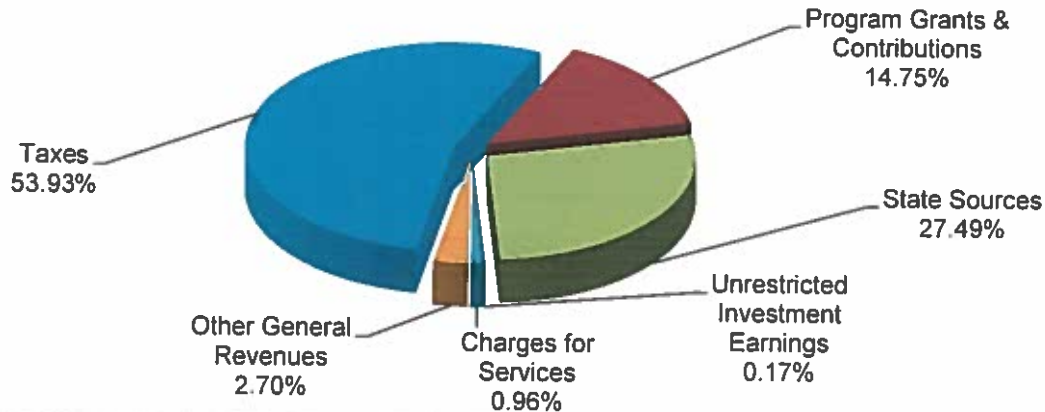
	Total Governmental Activities		Total Business-Type Activities		Total	
	2020	2021	2020	2021	2020	2021
Revenues						
Program Revenues:						
Charges for Services	\$ 125,940.51	\$ 140,968.11	\$ 1,680,746.67	\$ 583,109.71	\$ 1,806,687.18	\$ 724,077.82
Operating Grants and Contributions	3,810,700.37	8,353,889.66	1,147,299.01	2,776,991.87	4,957,999.38	11,130,881.53
General Revenues:						
Property Taxes	37,094,332.84	40,451,943.73			37,094,332.84	40,451,943.73
Gross Receipt taxes	267,702.43	253,506.38			267,702.43	253,506.38
State Sources	18,554,764.51	20,743,404.59			18,554,764.51	20,743,404.59
Other General Revenues	1,801,110.80	2,038,297.32			1,801,110.80	2,038,297.32
Unrestricted Investment Earnings	1,606,382.17	126,573.26			1,606,382.17	126,573.26
Total Revenues	63,260,933.63	72,108,583.05	2,828,045.68	3,360,101.58	66,088,979.31	75,468,684.63
Expenses						
Instruction	36,471,974.38	39,912,957.87			36,471,974.38	39,912,957.87
Support Services	15,929,546.92	22,379,273.99			15,929,546.92	22,379,273.99
Nonprogrammed Charges	283.97	20,708.69			283.97	20,708.69
Debt Service	4,720,563.64	5,684,699.11			4,720,563.64	5,684,699.11
Co-Curricular Activities	1,693,268.75	1,762,665.40			1,693,268.75	1,762,665.40
Drivers Education			25,207.20	49,373.99	25,207.20	49,373.99
Newspaper & Bookstore			17,229.92	272.05	17,229.92	272.05
Food Service			2,790,815.28	3,000,178.23	2,790,815.28	3,000,178.23
Total Expenses	58,815,637.66	69,760,305.06	2,833,252.40	3,049,824.27	61,648,890.06	72,810,129.33
Change in Net Position	4,445,295.97	2,348,277.99	(5,206.72)	310,277.31	4,440,089.25	2,658,555.30
Beginning Net Position	25,789,086.20	30,234,382.17	668,456.05	663,249.33	26,457,542.25	30,897,631.50
Net Position-Ending	\$ 30,234,382.17	\$ 32,582,660.16	\$ 663,249.33	\$ 973,526.64	\$ 30,897,631.50	\$ 33,556,186.80

Changes in Net position

This section will show condensed financial comparison of revenues and expenses and provide explanations for significant differences. The District's total revenues totaled \$75,468,865. Approximately 54% of the District's revenue comes from property and other taxes, with another 27.5% coming from state aid and other state sources. (See Figure A-3).

Figure A-3

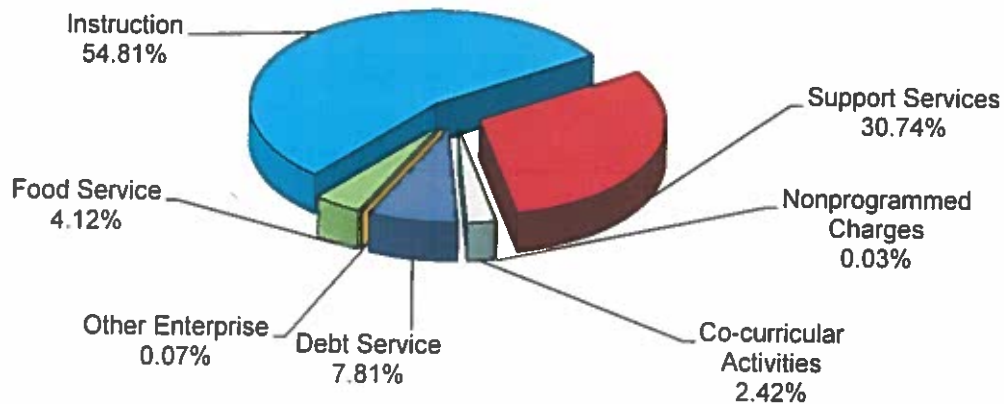
Harrisburg School District Sources of Revenues for FY2021



The total cost of all functional programs and services increased by \$11,161,239 or approximately 18%. This is mainly due to growth; increased enrollment and programming, a continued initiative to have competitive teacher pay; and the COVID 19 pandemic costs. The District's expenses cover a range of services encompassing instruction, support services and food services. (See Figure A-4).

Figure A-4

Harrisburg School District Functional Expenses for FY2021



BUSINESS-TYPE ACTIVITIES

Revenues of the District's business-type activities increased by \$532,056-19%, and expenses increased by \$216,572 or approximately 8%. Factors contributing to these results include:

- Federal Funding allowed all students to eat free during the 2020-21 year due to COVID-19, which caused the revenue to fluctuate greatly. In addition, the Driver's Education added additional courses to make up for the cancellation of the program in 2020-21.
- The primary reason for the increase in expenses was due to normal increases in salaries and wages, increases in supplies and food purchases due to the increased enrollment.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Special Education fund increased from 2020, by \$1,193,460. Both revenues and expenditures increased due to the increased child count and salaries and benefits respectively, however a net gain was still experienced. Fund balances in Capital Outlay decreased by \$97,288 from the past year mostly due the adoption of new elementary curriculum and some building capital improvement expenditures.. Bond Redemption fund balances are less than in 2020 by \$12,216,686 as the District has maintained the tax levy amount for consistency to the tax payers while preparing for additional debt to accommodate the growth. The Capital Projects Fund shows a balance of \$1,916,085 as the District began the construction of the 7th Elementary School and addition to the High School in 2019 and is expected to be completed in the fall of 2021.

BUDGETARY HIGHLIGHTS

Over the course of the year, the School Board revised the School budget. These amendments fall into three categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

CAPITAL ASSET ADMINISTRATION

By the end of 2021, the School had invested \$150,461,773 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-3.) This amount represents a net increase (including additions, deletions and depreciation) of \$3,647,800 from the previous year.

Table A-3
HARRISBURG SCHOOL DISTRICT 41-2 - Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2020	2021	2020	2021	2020	2021
Capital Assets Not Being Depreciated						
Land	\$ 7,509,638	\$ 9,188,315	\$	\$	\$ 7,509,638	\$ 9,188,315
Construction Work in Progress	26,274,422	500,235			26,274,422	500,235
Total Capital Assets Not Being Depreciated	33,784,060	9,688,550			33,784,060	9,688,550
Other Capital Assets Being Depreciated						
Buildings	129,190,162	160,094,191			129,190,162	160,094,191
Improvements	7,017,393	7,184,924			7,017,393	7,184,924
Library Books	1,011,906	1,111,256			1,011,906	1,111,256
Machinery and Equipment	5,825,983	6,867,789	97,585	97,585	5,923,568	6,965,374
Total Other Capital Assets Being Depreciated	143,045,444	175,258,160	97,585	97,585	143,143,029	175,355,745
Accumulated Depreciation	(30,057,132)	(34,514,595)	(55,984)	(67,927)	(30,113,116)	(34,582,522)
Capital Assets, Net of Depreciation	112,988,312	140,743,565	41,601	29,658	113,029,913	140,773,223
Total All Capital Assets (Net of Depreciation)	\$ 146,772,372	\$ 150,432,115	\$ 41,601	\$ 29,658	\$ 146,813,973	\$ 150,461,773

LONG-TERM DEBT

Table A-4
HARRISBURG SCHOOL DISTRICT 41-2 - Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total Percentage Change
	2020	2021	2020-2021	2020-2021
GO Bonds Payable	\$ 183,960,000.00	\$ 166,620,000.00	\$ (17,340,000.00)	-9.43%
Early Retirement	208,370.10	133,574.02	(74,796.08)	-35.90%
Capital Outlay Certificates	9,875,000.00	8,970,000.00	(905,000.00)	-9.16%
Other Long-Term Debt	232,210.00		(232,210.00)	0.00%
Premium on Bonds	10,434,123.84	9,901,619.25	(532,504.59)	-5.10%
Total Outstanding Debt and Obligations	\$ 204,709,703.94	185,625,193.27	(19,084,510.67)	-9.32%

The School also maintained an early retirement plan, which allowed those meeting certain qualifications, to retire early and receive 80% of their last year's salary in equal payments spread over the five years following retirement. This plan was part of the teacher's negotiated agreement and terminated at the end of 2019 fiscal year. There will continue to be payouts until the 5 years are up for those that qualified before 2019.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's current economic position has shown significant changes. The School did experience an increase in total property valuation of \$234,075,260 or approximately 8% from the prior year. The increase in property valuation allows the School the ability to increase the amount of revenue generated from property taxes, however, the total amount which can be levied is limited by the State of South Dakota.

One of the primary sources of revenue to the School is State Aid received from the State of South Dakota. The state aid formula includes a combination of factors including Student to Teacher ratios, enrollment, local tax effort, and targeted teacher salary to determine the school district's need. The total need in 2020 was \$32,432,186, an increase of \$2,623,097 from the previous year.

The School District has continually experienced an increase average daily membership (ADM) each year. Enrollment increased from 5,172 in 2020 to 5,462, an increase of 290 students, or 6%.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Harrisburg School District's Business Office, 200 E Willow Street, Harrisburg, SD 57032.

HARRISBURG SCHOOL DISTRICT NO. 41-2
STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 33,385,753.45	\$ 1,218,243.80	\$ 34,603,997.25
Investments-Certificates of Deposit	2,750,000.00		2,750,000.00
Taxes Receivable	19,263,092.08		19,263,092.08
Accounts Receivable	76,197.15		76,197.15
Inventories	40,139.48	50,024.11	90,163.59
Due from Other Government	1,158,782.88		1,158,782.88
Net Pension Asset	60,647.83		60,647.83
Restricted Assets:			
Cash and Cash Equivalents	35,363,378.21		35,363,378.21
Capital Assets:			
Land and Construction in Progress	9,688,549.78		9,688,549.78
Other Capital Assets, Net of Depreciation	140,743,565.78	29,658.15	140,773,223.93
TOTAL ASSETS	242,530,106.64	1,297,926.06	243,828,032.70
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	9,919,928.56		9,919,928.56
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,919,928.56		9,919,928.56
LIABILITIES :			
Accounts Payable	292,114.49	55.53	292,170.02
Accrued Wages & Benefits Payable	5,557,952.64	86,845.93	5,644,798.57
Construction Payable	689,788.44		689,788.44
Construction Retainage Payable	25,011.76		25,011.76
Unearned Revenue		237,497.96	237,497.96
Noncurrent Liabilities:			
Due Within One Year	39,802,825.59		39,802,825.59
Due in More than One Year	145,822,367.68		145,822,367.68
TOTAL LIABILITIES	192,190,060.60	324,399.42	192,514,460.02
DEFERRED INFLOWS OF RESOURCES:			
Taxes Levied for Future Period	19,112,664.57		19,112,664.57
Pension Related Deferred Inflows	8,564,649.87		8,564,649.87
TOTAL DEFERRED INFLOWS OF RESOURCES	27,677,314.44		27,677,314.44
NET POSITION:			
Net Investment in Capital Assets	2,219,959.33	29,658.15	2,249,617.48
Restricted for:			
Capital Outlay	7,993,272.49		7,993,272.49
Special Education	2,740,620.97		2,740,620.97
Debt Service	11,329,478.94		11,329,478.94
SDRS Pension Purposes	1,415,926.52		1,415,926.52
Unrestricted (Deficit)	6,883,401.91	943,868.49	7,827,270.40
TOTAL NET POSITION	\$ 32,582,660.16	\$ 973,526.64	\$ 33,556,186.80

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

HARRISBURG SCHOOL DISTRICT NO. 41-2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Primary Government:						
Governmental Activities:						
Instruction	\$ 39,912,957.87	\$ 76,348.00	\$ 8,353,889.66	\$ (31,482,720.21)	\$	\$ (31,482,720.21)
Support Services	22,379,273.99			(22,379,273.99)		(22,379,273.99)
Nonprogrammed Charges	20,708.69			(20,708.69)		(20,708.69)
*Interest on Long-term Debt	5,684,699.11			(5,684,699.11)		(5,684,699.11)
Cocurricular Activities	1,762,665.40	64,620.11		(1,698,045.29)		(1,698,045.29)
Total Governmental Activities	69,760,305.06	140,968.11	8,353,889.66	(61,265,447.29)		(61,265,447.29)
Business-type Activities:						
Food Service	3,000,178.23	519,784.71	2,776,991.87		296,598.35	296,598.35
Driver's Education	49,373.99	63,325.00			13,951.01	13,951.01
Newspaper & Bookstore	272.05				(272.05)	(272.05)
Total Business-type Activities	3,049,824.27	583,109.71	2,776,991.87		310,277.31	310,277.31
Total Primary Government	\$ 72,810,129.33	\$ 724,077.82	\$ 11,130,881.53	(61,265,447.29)	310,277.31	(60,955,169.98)
General Revenues:						
Taxes:						
Property Taxes				40,451,943.73		40,451,943.73
Utility Taxes				253,506.38		253,506.38
Revenue from State Sources:						
State Aid				20,743,404.59		20,743,404.59
Unrestricted Investment Earnings				126,573.26		126,573.26
Other General Revenues				2,038,297.32		2,038,297.32
Transfers						
Total General Revenues				63,613,725.28		63,613,725.28
Change in Net Position				2,348,277.99	310,277.31	2,658,555.30
Net Position - Beginning				30,234,382.17	663,249.33	30,897,631.50
NET POSITION - ENDING				\$ 32,582,660.16	\$ 973,526.64	\$ 33,556,186.80

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

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

HARRISBURG SCHOOL DISTRICT NO. 41-2
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
ASSETS:						
Cash and Cash Equivalents	\$ 7,849,116.64	\$ 8,623,757.12	\$ 3,490,563.39	\$ 11,291,675.38	\$ 2,130,640.92	\$ 33,385,753.45
Cash with Fiscal Agent				35,363,378.21		35,363,378.21
Investments-Certificates of Deposit	2,750,000.00					2,750,000.00
Taxes Receivable-Current	7,508,855.86	4,017,014.73	2,505,986.62	5,080,807.36		19,112,664.57
Taxes Receivable-Delinquent	67,746.84	28,599.62	16,277.49	37,803.56		150,427.51
Accounts Receivable	36,602.01	625.00	38,960.74		9.40	76,197.15
Due From Other Government	1,019,627.38		139,155.50			1,158,782.88
Inventories-Materials and Supplies	40,139.48					40,139.48
TOTAL ASSETS	\$ 19,272,088.21	\$ 12,669,996.47	\$ 6,190,943.74	\$ 51,773,664.51	\$ 2,130,650.32	\$ 92,037,343.25
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ 115,642.50	\$ 159,474.56	\$ 16,997.43	\$	\$	\$ 292,114.49
Contracts Payable	3,751,674.24		692,119.42			4,443,793.66
Construction Contracts Payable		475,222.93			214,565.51	689,788.44
Construction Contracts Payable--Retained Percentage		25,011.76				25,011.76
Payroll Deductions and Withholdings						
and Employer Matching Payable						
Total Liabilities	878,939.68		235,219.30			1,114,158.98
	4,746,256.42	659,709.25	944,336.15		214,565.51	6,564,867.33
Deferred Inflows of Resources:						
Taxes Levied for a Future Period						
Unavailable Revenue-Property Taxes	7,508,855.86	4,017,014.73	2,505,986.62	5,080,807.36		19,112,664.57
	67,746.84	28,599.62	16,277.49	37,803.56		150,427.51
Total Deferred Inflows of Resources	7,576,602.70	4,045,614.35	2,522,264.11	5,118,610.92		19,263,092.08
Fund Balances:						
Nonspendable	40,139.48					40,139.48
Restricted						
Assigned-Unemployment		7,964,672.87	2,724,343.48	46,655,053.59	1,916,084.81	59,260,154.75
Unassigned	21,000.00					21,000.00
	6,888,089.61					6,888,089.61
Total Fund Balances	6,949,229.09	7,964,672.87	2,724,343.48	46,655,053.59	1,916,084.81	66,209,383.84
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 19,272,088.21	\$ 12,669,996.47	\$ 6,190,943.74	\$ 51,773,664.51	\$ 2,130,650.32	\$ 92,037,343.25

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

HARRISBURG SCHOOL DISTRICT NO. 41-2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total Fund Balances - Governmental Funds	\$ 66,209,383.84
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Amounts reported for governmental activities in the statement of net position are different because:

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

Cost of the assets	\$ 184,946,710.38	
Accumulated Depreciation	<u>(34,514,594.82)</u>	150,432,115.56

When bonds are issued there is usually a premium or a discount involved. The amount of premium on issuance of bonds consists of:	(9,901,619.25)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:

Bonds Payable	(166,620,000.00)	
Capital Outlay Certificates	(8,970,000.00)	
Early Retirement Payable	<u>(133,574.02)</u>	(175,723,574.02)

Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	60,647.83
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Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.	9,919,928.56
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Pension related deferred inflows are components of pension liability and therefore are not reported in the funds.	(8,564,649.87)
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Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>150,427.51</u>
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Net Position- Governmental Funds	<u>\$ 32,582,660.16</u>
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The notes to the financial statements are an integral part of this statement.

HARRISBURG SCHOOL DISTRICT NO. 41-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
Revenues:						
Revenue from Local Sources:						
Taxes:						
Ad Valorem Taxes	\$ 15,416,801.20	\$ 8,373,766.55	\$ 5,118,692.04	\$ 11,062,699.46	\$	\$ 39,971,959.25
Prior Years' Ad Valorem Taxes	184,380.92	84,295.55	49,303.89	114,680.53		432,660.89
Utility Taxes	253,506.38					253,506.38
Penalties and Interest on Taxes	25,487.77	9,217.66	5,262.17	12,127.61		52,095.21
Tuition and Fees:						
Regular Day School Tuition						
Earnings on Investments and Deposits	7,352.66		76,348.00		119,220.60	76,348.00
Cocurricular Activities:						126,573.26
Admissions	58,320.80					58,320.80
Rentals	3,280.00					3,280.00
Other Pupil Activity	3,019.31					3,019.31
Other Revenue from Local Sources:						
Rentals	81,552.25					81,552.25
Contributions and Donations	6,565.05	44,716.02				51,281.07
Charges for Services	243,075.85		43,199.32			286,275.17
Other	867,352.65	593,262.12	2,218.00		14,393.34	1,477,226.11
Revenue from Intermediate Sources:						
County Sources:						
County Apportionment	149,510.72					149,510.72
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid	20,644,523.99					20,644,523.99
Restricted Grants-in-Aid	58,431.55		3,102,320.00			3,160,751.55
Other State Revenue		98,880.60				98,880.60
Revenue from Federal Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid Rec'd from Fed Gov't Through State	2,179,830.00	431,550.00	91,120.00			2,702,500.00
Restricted Grants-in-Aid Received from Federal Government Through the State	1,042,148.00		1,285,108.40			2,327,256.40
Other Federal Revenue						163,381.71
Total Revenue	41,225,139.10	9,635,688.50	9,773,571.82	11,352,889.31	133,613.94	72,120,902.67

Expenditures:					
Instruction:					
Regular Programs:					
Elementary	11,481,318.11	1,444,735.29			12,926,053.40
Middle School	6,386,841.87	516,174.73			6,903,016.60
High School	5,935,356.98	576,373.10			6,511,730.08
Special Programs:					
Gifted and Talented	762,920.65	30,500.21			793,420.86
Programs for Special Education		149,934.93			6,188,596.35
Culturally Different	607,698.16	2,103.58		6,038,661.42	609,801.74
Educationally Deprived	112,900.54				112,900.54
Other Special Programs	251,396.04				251,396.04
Support Services:					
Pupils:					
Attendance and Social Work Services					
Guidance	957,103.62		65,114.73		65,114.73
Health	703,686.50				957,103.62
Psychological			12,581.65		716,248.15
Speech Pathology			586,947.84		586,947.84
Audiology			1,009,354.60		1,009,354.60
Student Therapy Services			28,367.15		28,367.15
Orientation and Mobility Services			337,944.79		337,944.79
Support Services - Instructional Staff:			25,980.38		25,980.38
Improvement of Instruction	1,403,571.12				1,403,571.12
Educational Media	1,177,331.78	202,471.50			1,379,803.28
Support Services - General Administration:					
Board of Education	172,134.90				172,134.90
Executive Administration	234,510.04				234,510.04
Support Services - School Administration:					
Office of the Principal	1,628,532.06				1,628,532.06
Other School Administration	3,100.68				3,100.68
Support Services - Business:					
Fiscal Services	1,071,267.35	21,734.59			1,093,001.94
Facilities Acquisition & Construction		307,613.52		4,349,143.57	4,656,757.09
Operation and Maintenance of Plant	4,598,124.36	281,135.35			4,879,259.71
Pupil Transportation	1,232,640.95	5,326.87			1,237,967.82
Food Services	72,036.11				72,036.11
Internal Services	37,309.03				37,309.03
Information		25,645.11			25,645.11
Support Services- Central:					
Informational	97,248.71				97,248.71
Staff	15,787.75				15,787.75
Other	105,403.84				105,403.84

HARRISBURG SCHOOL DISTRICT NO. 41-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
Administrative Costs			393,545.43			393,545.43
Autism/Preschool			23,063.46			23,063.46
Transportation Costs			27,202.31			27,202.31
Other			31,347.63			31,347.63
Community Services:						0.00
Nonpublic School	84,087.89					84,087.89
Nonprogrammed Charges						0.00
Payments for Unemployment	20,708.72					20,708.72
Early Retirement Payments	74,796.05					74,796.05
Debt Services		1,124,838.76		9,514,574.94		10,639,413.70
Cocurricular Activities:						
Male Activities	259,578.81					259,578.81
Female Activities	231,349.55					231,349.55
Combined Activities	1,019,693.38	160,661.33				1,180,354.71
Capital Outlay	11,642.96	4,126,727.44			4,098,037.25	8,236,407.65
Total Expenditures	40,750,058.51	8,975,976.31	8,580,111.39	9,514,574.94	8,447,180.82	76,267,901.97
Excess of Revenue Over (Under) Expenditures	475,080.59	659,712.19	1,193,460.43	1,838,314.37	(8,313,566.88)	(4,146,999.30)
Other Financing Sources:						
Transfers In	757,000.00					757,000.00
Transfers (Out)		(757,000.00)				(757,000.00)
Payment to Refunded Debt Escrow Agent				(14,055,000.00)		(14,055,000.00)
Total Other Financing Sources (Uses)	757,000.00	(757,000.00)		(14,055,000.00)		(14,055,000.00)
Net Change in Fund Balances	1,232,080.59	(97,287.81)	1,193,460.43	(12,216,685.63)	(8,313,566.88)	(18,201,999.30)
Fund Balance - Beginning	5,717,148.50	8,061,960.68	1,530,883.05	58,871,739.22	10,229,651.69	84,411,383.14
FUND BALANCE - ENDING	\$ 6,949,229.09	\$ 7,964,672.87	\$ 2,724,343.48	\$ 46,655,053.59	\$ 1,916,084.81	\$ 66,209,383.84

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

HARRISBURG SCHOOL DISTRICT NO. 41-2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Net Change in Fund Balances - Total Governmental Funds			\$ (18,201,999.30)
Governmental funds report property taxes as revenue when cash is received, but the statement of activities includes the property taxes as revenue when earned.			(4,771.62)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital Expenditures	\$ 8,236,407.65		
Depreciation Expense	<u>(4,569,116.61)</u>	3,667,291.04	
Payment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.			
Bonds Payable	17,340,000.00		
ASBSD Debt	232,210.00		
Capital Outlay Certificates	<u>905,000.00</u>	18,477,210.00	
When bonds are issued there is usually a premium or a discount involved. This premium or discount is amortized over the life of the bonds issued.			532,504.59
Changes in the pension related deferred outflows/inflows are direct components of pension asset and are not reflected in the governmental funds.			(2,189,204.80)
Sales of capital assets are reported at the net amount received in the statement of activities. Within the Statement of Activities they are shown at the net gain or loss realized on the disposal.			(7,548.00)
Governmental funds do not reflect the change in early retirement and due to other governments, but the statement of activities reflects the change in these benefits through expenses.			<u>74,796.08</u>
Change in Net Position of Governmental Activities			<u>\$ 2,348,277.99</u>

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

HARRISBURG SCHOOL DISTRICT NO. 41-2
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Enterprise Funds		
	Food Service	Other	
	Fund	Enterprise	Total
	Fund	Fund	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 1,198,825.09	\$ 19,418.71	\$ 1,218,243.80
Inventory of Supplies	22,478.64		22,478.64
Inventory of Stores Purchased for Resale	27,545.47		27,545.47
Total Current Assets	1,248,849.20	19,418.71	1,268,267.91
Capital Assets:			
Machinery and Equipment	97,585.68		97,585.68
Less: Accumulated Depreciation	(67,927.53)		(67,927.53)
Total Noncurrent Assets	29,658.15		29,658.15
TOTAL ASSETS	1,278,507.35	19,418.71	1,297,926.06
LIABILITIES:			
Current Liabilities:			
Accounts Payable	55.53		55.53
Contracts Payable	46,962.40	1,120.00	48,082.40
Payroll Deductions and Withholdings and Employer Matching Payable	38,677.85	85.68	38,763.53
Unearned Revenue	237,497.96		237,497.96
Total Current Liabilities	323,193.74	1,205.68	324,399.42
NET POSITION:			
Net Investment in Capital Assets	29,658.15		29,658.15
Unrestricted Net Position	925,655.46	18,213.03	943,868.49
Total Net Position	\$ 955,313.61	\$ 18,213.03	\$ 973,526.64

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

HARRISBURG SCHOOL DISTRICT NO. 41-2
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Enterprise Funds		
	Food Service Fund	Other Enterprise Funds	Total
Operating Revenue:			
Tuition and Fees:			
Drivers Education	\$	\$ 63,325.00	\$ 63,325.00
Sales:			
To Pupils	80,899.70		80,899.70
To Adults	35,958.20		35,958.20
A la Carte	398,739.87		398,739.87
Other	4,186.94		4,186.94
Total Operating Revenue	519,784.71	63,325.00	583,109.71
Operating Expenses:			
Other Community Services:			
Salaries		41,160.00	41,160.00
Employee Benefits		3,299.96	3,299.96
Purchased Services		4,400.00	4,400.00
Supplies		374.08	374.08
Property, Liability & Fidelity Insurance		412.00	412.00
Food Service:			
Salaries	1,062,267.52		1,062,267.52
Employee Benefits	271,844.40		271,844.40
Purchased Services	26,380.85		26,380.85
Supplies	134,719.75		134,719.75
Cost of Sales-Purchased Food	1,195,495.97		1,195,495.97
Cost of Sales-Donated Food	280,768.47		280,768.47
Miscellaneous	16,758.33		16,758.33
Depreciation-Local Funds	11,942.94		11,942.94
Total Operating Expenses	3,000,178.23	49,646.04	3,049,824.27
Operating Income (Loss)	(2,480,393.52)	13,678.96	(2,466,714.56)
Nonoperating Revenue (Expense):			
State Sources:			
Cash Reimbursements	11,535.27		11,535.27
Federal Sources:			
Cash Reimbursements	2,484,688.13		2,484,688.13
Donated Food	280,768.47		280,768.47
Total Nonoperating Revenue (Expense)	2,776,991.87		2,776,991.87
Change in Net Position	296,598.35	13,678.96	310,277.31
Net Position - Beginning	658,715.26	4,534.07	663,249.33
NET POSITION- ENDING	\$ 955,313.61	\$ 18,213.03	\$ 973,526.64

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

HARRISBURG SCHOOL DISTRICT NO. 41-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

		Enterprise Funds	
	Food Service Fund	Other Enterprise	Total
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 530,951.40	\$ 63,325.00	\$ 594,276.40
Payments to Suppliers	(1,375,227.13)	(3,568.40)	(1,378,795.53)
Payments to Employees	(1,334,111.92)	(44,459.96)	(1,378,571.88)
Other Operating Cash Payments	(16,758.33)	(412.00)	(17,170.33)
Net Cash Provided (Used) by Operating Activities	<u>(2,195,145.98)</u>	<u>14,884.64</u>	<u>(2,180,261.34)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Subsidies	<u>2,606,054.80</u>		<u>2,606,054.80</u>
Net Cash Provided by (Used) by Noncapital Financing Activities	<u>2,606,054.80</u>		<u>2,606,054.80</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 410,908.82</u>	<u>\$ 14,884.64</u>	<u>\$ 425,793.46</u>
Cash and Cash Equivalents at Beginning of Year	\$ 787,916.27	\$ 4,534.07	\$ 792,450.34
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>1,198,825.09</u>	<u>19,418.71</u>	<u>1,218,243.80</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 410,908.82</u>	<u>\$ 14,884.64</u>	<u>\$ 425,793.46</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (2,480,393.52)	\$ 13,678.96	\$ (2,466,714.56)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	11,942.94		11,942.94
Value of Commodities Used	280,768.47		280,768.47
Change in Assets and Liabilities:			
Accounts Receivables			
Inventories	(8,385.67)		(8,385.67)
Accounts and Other Payables	(10,244.89)	1,205.68	(9,039.21)
Revenue Received in Advance	11,166.69		11,166.69
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,195,145.98)</u>	<u>\$ 14,884.64</u>	<u>\$ (2,180,261.34)</u>
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	\$ 280,768.47		

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

HARRISBURG SCHOOL DISTRICT NO. 41-2
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

	Private-Purpose Trust Funds	Custodial Funds
ASSETS:		
Cash and Cash Equivalents	\$ 3,908.67	\$ 387,476.37
Investments-Certificates of Deposit	11,851.85	
Accounts Receivable		48,740.65
	<u>15,760.52</u>	<u>436,217.02</u>
TOTAL ASSETS		
	<u>15,760.52</u>	<u>436,217.02</u>
LIABILITIES:		
Accounts Payable		5,470.09
		<u>5,470.09</u>
Total Liabilities		<u>5,470.09</u>
NET POSITION		
Restricted for:		
Scholarships	\$ 15,760.52	
Organizations		\$ 430,746.93

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

**HARRISBURG SCHOOL DISTRICT NO. 41-2
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS:		
Interest Earned	\$ 22.23	\$
Student Activities		650,401.15
Total Additions	<u>22.23</u>	<u>650,401.15</u>
DEDUCTIONS:		
Student Activities		<u>433,730.80</u>
Change in Net Position	<u>22.23</u>	<u>216,670.35</u>
Net Position - Beginning	15,738.29	0.00
Restatement - Implementation of GASB 84 (See Note 2)	<u>0.00</u>	<u>214,076.58</u>
Net Position - Beginning as Restated	<u>15,738.29</u>	<u>214,076.58</u>
NET POSITION - ENDING	<u><u>\$ 15,760.52</u></u>	<u><u>\$ 430,746.93</u></u>

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

HARRISBURG SCHOOL DISTRICT NO. 41-2
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity

The reporting entity of Harrisburg School District No. 41-2, 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.

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

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

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

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

Governmental Funds:

General Fund - A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the school district, excluding capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

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

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

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

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

The Bond Redemption Fund - A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. The Bond Redemption Fund is the only debt service fund maintained by the School District. This is a major fund.

Capital Projects Fund - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds). The major projects funded by the Capital Projects Fund are the High School Addition and the Elementary #7.

The Capital Projects Fund (Elementary #7 and HS Addition) is the only capital projects fund maintained by the School District. This is a major fund.

Proprietary Funds:

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

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit – even if that government is not expected to make any payments – is not payable solely from fees and charges of the activity.
- 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.

The Other Enterprise Fund - A fund used to record financial transactions related to driver's education and the Newspaper/Bookstore conducted for the benefit of the children. The fund is financed by user charges. This is 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 funds: four scholarships.

Custodial Funds - Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The School District maintains custodial funds to hold assets as an agent in a trustee capacity for various classes, clubs, and so on.

c. Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary 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 end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Harrisburg School District No. 41-2, the length of that cycle is 60 days. The revenues that were accrued at June 30, 2021 are amounts due from other governments for grants and miscellaneous revenues.

Under the modified basis of accounting, receivables may be measurable but not available. Available means collectable 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 funds and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns.

e. Deposits and Investments:

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

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

f. Capital Assets

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

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

Government-wide Statements

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

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

The total June 30, 2021 balance of capital assets for governmental activities includes approximately .111% percent for which the costs were determined by estimates of the original costs. The total June 30, 2021 balance of capital assets for business-type activities are valued at original cost.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 100.00	NA	NA
Improvements Other Than Building	15,000.00	Straight Line	5-50 yrs
Building Improvements	25,000.00	Straight Line	5-50 yrs
Buildings	50,000.00	Straight Line	33-75yrs
Machinery and Equipment	5,000.00	Straight Line	5-20 yrs
Food Service Machinery and Equipment	5,000.00	Straight Line	2-12 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 used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

g. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of general obligation bonds payable, capital outlay certificates, financing (capital acquisition) leases, and early retirement benefits payable.

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

h. Program Revenues

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

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

i. Proprietary Funds Revenue and Expense Classifications:

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

j. Cash and Cash Equivalents:

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

k. Equity Classifications

Government-wide Financial Statements:

Equity is classified as Net Position and is displayed in three components:

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguish between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements.

l. Application of Net position:

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

m. 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.

n. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the 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 School District uses *restricted/committed* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use *committed, then assigned, and lastly unassigned* amounts of unrestricted fund balance when expenditures are made.

The School District does not have a formal minimum fund balance policy.

A schedule of fund balances is provided as follows:

HARRISBURG SCHOOL DISTRICT NO. 41-2
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Bond Redemption Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:						
Nonspendable:						
Inventory	\$ 40,139.48	\$	\$	\$	\$	\$ 40,139.48
Restricted for:						
Capital Outlay Fund		7,964,672.87				7,964,672.87
Special Education Fund			2,724,343.48			2,724,343.48
Debt Service Requirements				46,655,053.59		46,655,053.59
Capital Projects					1,916,084.81	1,916,084.81
Assigned to:						
Unemployment	21,000.00					21,000.00
Unassigned	6,888,089.61					6,888,089.61
Total Fund Balances	<u>\$ 6,949,229.09</u>	<u>\$ 7,964,672.87</u>	<u>\$ 2,724,343.48</u>	<u>\$ 46,655,053.59</u>	<u>\$ 1,916,084.81</u>	<u>\$ 66,209,383.84</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 2021, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities accounting standard. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of this standard required

that the School District present a Statement of Changes in Fiduciary Net Position for Custodial Funds for 2021. The implementation of this standard required the School District to reclassify previously reported agency funds as custodial funds. The impact to the School District resulted in certain activities previously reported as fiduciary not being considered fiduciary under GASB 84. The effect of the implementation of this standard on beginning net position is disclosed in Note 15.

NOTE 3 – DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The school district follows the practice of aggregating the cash assets of various fund 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 funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) 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 that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Following are the investment policies of the school district regarding the various risk investments are exposed to:

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 interest rate.

Credit Risk - State law limits eligible investments for the school district, as discussed above. The school district had no investment policy that would further limit its investment choices. As of June 30, 2021, the school district had no investments.

Concentration of Credit Risk - The school district places no limit on the amount that may be invested in any one issuer. The school district does not have any investments with an external investment pool as of June 30, 2021.

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 general fund, except for capital projects fund, bond redemption fund and the private purpose trust fund. USGAAP on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated the income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Investment earnings were immaterial to the funds during the current year.

NOTE 4 – RESTRICTED CASH AND INVESTMENTS

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

<u>Amount:</u>	<u>Purpose:</u>
\$ 35,363,378.21	For Debt Service, by debt covenants (sinking funds required to be in a separate account)

NOTE 5 – RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. No allowance for estimated uncollectible receivables has been established, as the District believes all receivables are collectible.

NOTE 6 - INVENTORY

Inventory held for consumption is stated at cost.

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

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

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

NOTE 7 - PROPERTY TAXES

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

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

NOTE 8 - CHANGES IN CAPITAL ASSETS

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

	Balance 06/30/20	Increases	Decreases	Balance 06/30/21
Business-Type Activities:				
Business-type activity capital assets, net				
Capital Assets, depreciated:				
Machinery and Equipment	\$ 97,585.68	\$	\$	\$ 97,585.68
Less Accumulated Depreciation:				
Machinery and Equipment	55,984.59	11,942.94		67,927.53
Business-type activity capital assets, net	\$ 41,601.09	\$ (11,942.94)	\$	\$ 29,658.15

**Depreciation expense was charged to functions as follows:

Business-type Activity: Food Service	\$ 11,942.94
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	Balance 06/30/20	Increases	Decreases	Balance 06/30/21
Primary Government				
Governmental Activities:				
Capital Asset, not depreciated:				
Land	\$ 7,509,638.13	\$ 1,678,676.96	\$	\$ 9,188,315.09
Construction Work In Progress	26,274,422.32	5,103,860.55	(30,878,048.18)	500,234.69
	33,784,060.45	6,782,537.51	(30,878,048.18)	9,688,549.78
Capital Assets, depreciated:				
Buildings	129,190,162.36	30,904,028.27		160,094,190.63
Improvements	7,017,393.35	176,966.12	(9,435.00)	7,184,924.47
Library Books	1,011,905.56	99,350.90		1,111,256.46
Machinery and Equipment	5,825,982.61	1,151,573.03	(109,766.60)	6,867,789.04
Totals	143,045,443.88	32,331,918.32	(119,201.60)	175,258,160.60
Less Accumulated Depreciation:				
Buildings	25,152,012.31	3,614,544.77		28,766,557.08
Improvements	1,055,000.26	194,104.21	(1,887.00)	1,247,217.47
Library Books	634,960.30	93,483.69		728,443.99
Machinery and Equipment	3,215,158.94	666,983.94	(109,766.60)	3,772,376.28
Total Accumulated Depreciation	30,057,131.81	4,569,116.61	(111,653.60)	34,514,594.82
Total Capital Assets, being depreciated, net	112,988,312.07	27,762,801.71	(7,548.00)	140,743,565.78
Governmental activities capital assets, net	\$ 146,772,372.52	\$ 34,545,339.22	\$ (30,885,596.18)	\$ 150,432,115.56

**Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	\$ 3,426,837.46
Support Services	1,050,896.82
Co-Curricular Activities	91,382.33
Total Depreciation expense-governmental activities	\$ 4,569,116.61

Construction Work in Progress at June 30, 2021 is composed of the following:

Field	Project Name	Expended through		
		Project Authorization	06/30/21	Committed
	Field Turf	547,040.06	500,234.68	46,805.37
Total		\$ 547,040.06	\$ 500,234.68	\$ 46,805.37

NOTE 9 - LONG -TERM LIABILITIES

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

Primary Government Governmental Activities:	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 183,960,000.00	\$	\$ 17,340,000.00	\$ 166,620,000.00	\$ 38,200,000.00
Premium on Bonds Payable	10,434,123.84		532,504.59	9,901,619.25	604,853.74
Capital Outlay Certificates	9,875,000.00		905,000.00	8,970,000.00	940,000.00
Early Retirement Payable	208,370.10		74,796.08	133,574.02	57,971.85
ASBSD Debt	232,210.00		232,210.00		
Total Governmental Activities					
Long Term Debt	\$ 204,709,703.94	\$	\$ 19,084,510.67	\$ 185,625,193.27	\$ 39,802,825.59

Early Retirement Benefits payable for governmental activities typically have been liquidated from the General Fund.

Liabilities payable (not including premium on bonds payable) at June 30, 2021 are comprised of the following:

General Obligation Bonds Payable

Series 2019 General Obligation Bonds maturing June 30, 2044 with annual interest rate of 3.75 to 5% depending on time to maturity. Principal payments to be made from Debt Service Fund effective from 2021.

\$ 36,660,000.00

Series 2017 Refunding General Obligation Bonds maturing June 30, 2032 with annual interest rate of 2.375 to 4.0% depending on time to maturity. Principal payments to be made from Debt Service Fund effective from 2024.

11,830,000.00

Series 2016 Refunding General Obligation Bonds maturing June 30, 2027 with annual interest rate of 2.00 to 3.95% depending on time to maturity. Payments are to be made from the Debt Service Fund.

8,905,000.00

Series 2013 General Obligation Bonds maturing January 15, 2023 with annual interest rate of 1.5%. Principal payments to be made from Debt Service Fund effective from 2016.

3,080,000.00

Series 2017B General Obligation Bonds maturing June 30, 2033 with annual interest rate of 3 to 5% depending on time to maturity. Principal payments to be made from Debt Service Fund.	6,320,000.00
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Series 2012 General Obligation Bonds maturing January 15, 2027 with annual interest rate of 3.0 to 5.0% depending on time to maturity. Principal payments to be made from Debt Service Fund. There is a premium associated with this bond of \$3,137,333.40, which is amortized at \$125,493.34 per year.	34,805,000.00
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Series 2019 General Obligation Bonds maturing August 1, 2036 with annual interest rate of 3.75 to 5.0% depending on time to maturity. Principal payments to be made from Debt Service Fund effective from 2032.	11,850,000.00
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Series 2019 General Obligation Bonds maturing August 1, 2029 with annual interest rate of 3 to 4% depending on time to maturity. Principal payments to be made from Debt Service Fund effective from 2021.	5,500,000.00
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Series 2017C General Obligation Bonds maturing January 15, 2039 with annual interest rate of 3 to 5% depending on time to maturity. Principal payments to be made from Debt Service Fund effective from 2021.	47,670,000.00
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Capital Outlay Certificates:

Series 2016 Refunding Certificates, maturing June 30, 2027 with an annual interest rate of 2.0 to 3.35% depending on time to maturity. Payments to be made from Capital Outlay Fund.	785,000.00
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Series 2016B Refunding Certificates, maturing June 30, 2032 with an annual interest rate of 2.0 to 3.0% depending on time to maturity. Payments to be made from Capital Outlay Fund.	2,260,000.00
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Series 2017 Refunding Certificates, maturing Aug 1, 2028 with an annual interest rate of 2.0 to 2.75% depending on time to maturity. Payments to be made from Capital Outlay Fund.	5,925,000.00
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Early Retirement Benefits Payable:

Obligations to individuals who fall under the early retirement plan of the Harrisburg School District. Payments are made to retirees in the following five fiscal years in semi-annual payments. Payments are made from the General Fund.	133,574.02
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In prior years, an advance refunded issue had proceeds deposited into an irrevocable trust with an escrow agent to provide for payment of \$7,495,000 which is now considered to be defeased as of July 15, 2020 and the liability for the advance refunded issue will no longer be a part of the financial statements of the School District.

In prior years, the School District crossover refunded debt with the entire proceeds of the refunding issue in the amounts of \$6,896,082.93 and \$52,144,594.01 being deposited into an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded issues on the crossover dates of July 15, 2020 and July 15, 2021. During fiscal year 2021, \$6,560,000 of old debt has been considered to be defeased as of the crossover date of July 15, 2020 and will be removed from the liabilities of the financial statements of the School District. On June 30, 2021, the School District has \$35,363,378.21 on deposit held with the escrow agent in the irrevocable trusts to retire \$34,805,000 of old debt still outstanding.

Governmental Activities

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

Year Ending June 30,	G.O. Bonds Payable		Capital Outlay Certificates		Early Retirement
	Principal	Interest	Principal	Interest	Principal
2022	\$ 38,200,000	\$ 5,112,946	\$ 940,000	\$ 200,139	\$ 57,972
2023	4,110,000	4,997,778	975,000	180,291	47,277
2024	4,425,000	4,874,096	1,010,000	158,144	28,325
2025	4,765,000	4,721,371	1,050,000	134,556	
2026	5,155,000	4,530,262	1,085,000	108,931	
2027-2031	31,945,000	19,204,959	3,680,000	174,063	
2032-2036	44,415,000	11,792,425	230,000	2,444	
2037-2041	26,235,000	3,549,744			
2042-2047	7,370,000	421,500			
Totals	<u>\$ 166,620,000</u>	<u>\$ 59,205,081</u>	<u>\$ 8,970,000</u>	<u>\$ 958,568</u>	<u>\$ 133,574</u>

Year Ending June 30,	Amortization of Premium on Bonds	Totals	
	Principal	Principal	Interest
2022	\$ 604,854	\$ 39,802,826	\$ 5,313,085
2023	604,854	5,737,131	5,178,069
2024	604,854	6,068,179	5,032,240
2025	604,854	6,419,854	4,855,927
2026	604,854	6,844,854	4,639,193
2027-2031	2,890,635	38,515,635	19,379,022
2032-2036	2,100,116	46,745,116	11,794,869
2037-2041	1,501,418	27,736,418	3,549,744
2042-2047	385,181	7,755,181	421,500
Totals	<u>\$ 9,901,619</u>	<u>\$ 185,625,193</u>	<u>\$ 60,163,648</u>

NOTE 10 – RESTRICTED NET POSITION

The following table shows the net position restricted for other purposes as shown on the Statement of Net position:

Major Purposes	Restricted By	Amount
Capital Outlay Purposes	Law	\$ 7,993,272.49
Special Education Purposes	Law	2,740,620.97
Debt Service Purposes	Debt Covenants	11,329,478.94
SDRS Pension Purposes	Law	1,415,926.52
Total Restricted Net Position		<u>\$ 23,479,298.92</u>

NOTE 11 – INTERFUND TRANSFERS

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

Transfers From	Transfers To
	General Fund
Capital Outlay Fund	\$ 757,000.00
Totals	\$ 757,000.00

The transfer from the Capital Outlay Fund to the General Fund was for meeting utility and operating costs per current legislation.

NOTE 12 – PENSION PLAN

Plan Information:

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

Benefits Provided:

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement 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 retirement benefits 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 the long-term inflation assumption of 2.25%
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2021, 2020, and 2019 were \$2,097,482.17, \$1,838,881.54, and \$1,674,550.34 respectively, equal to the required contributions each year.

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

At June 30, 2020, SDRS is 100.04% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the School District as of the measurement period ending June 30, 2020 and reported by the School District as of June 30, 2021 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 171,666,368.05
Less proportionate share of total pension benefits	<u>171,727,015.88</u>
Proportionate share of net pension benefits	<u><u>\$ (60,647.83)</u></u>

At June 30, 2021, the School District reported a liability (asset) of \$(60,647.83) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2020 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the School District's proportion was 1.39645680%, which is an increase (decrease) of .0838288% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the School District recognized pension expense (reduction of expenses) of \$2,189,204.80. At June 30, 2021 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 232,011.06	\$ 47,509.92
Changes in assumption	1,953,515.00	7,878,635.88
Net difference between projected and actual earnings on pension plan investments	5,636,920.33	
Changes in proportion and difference between School District contributions and proportionate share of contributions		638,504.08
School District contributions subsequent to the measurement date	2,097,482.17	
TOTAL	\$ 9,919,928.56	\$ 8,564,649.87

\$2,097,482.17 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 (asset) in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:

2022	\$ (700,044.51)
2023	(539,786.83)
2024	85,257.51
2025	1,050,874.42
TOTAL	\$ (103,699.41)

Actuarial Assumptions:

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

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

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real

estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
Total	<u>100.0%</u>	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

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

The following presents the School District's proportionate share of net pension liability (asset) calculated 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)	\$ 23,527,344.38	\$ (60,647.83)	\$ (19,355,160.89)

Pension Plan Fiduciary Net Position:

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

NOTE 13 - EARLY RETIREMENT PLAN

The district maintains an early retirement plan for certified teachers and administrators. The plan is available to employees who choose early retirement between the ages of 55-61 and meet the requirements of years of service. Under the plan, the school district will pay 80% of their current salary in their final year of service. This amount is payable over five years in semiannual installments. During the fiscal year ending June 30, 2021, eight employees participated in the program and the benefits paid out totaled \$74,796.08.

NOTE 14 - RISK MANAGEMENT

The school district is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2021, the school district managed its risks as follows:

Employee Health Insurance

The school district joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for the 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 its members. The coverage also includes a \$2,000,000 lifetime maximum payment per person.

The school district does not carry additional health insurance coverage to pay claims in excess of this upper limit. 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 carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation

The school district purchases liability insurance for worker's compensation from a commercial carrier.

Unemployment Benefits

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

The School District has an assigned fund balance in the General Fund in the amount of \$21,000 for the payment of future such claims.

During the year ended June 30, 2021, total claims of \$20,708.72 were paid. At June 30, 2021 no claims had been filed for these matters and none are anticipated

NOTE 15 – IMPLEMENTATION OF NEW STANDARD AND RESTATEMENT

As of June 30, 2021, the School District implemented GASB Statement No 84, *Fiduciary Activities* (GASB 84). Certain agency funds previously accounted for activities that are not considered fiduciary in nature and are now reported in the General Fund.

The School District restated the net position and fund balance of the Custodial Fund indicated below to appropriately reflect the July 1, 2020 balances as follows:

Custodial Fund

Net position at June 30, 2020, as previously stated	\$ 0.00
Restatement - Implementation of GASB 84	<u>214,076.58</u>
Net Position July 1, 2020 As Restated	<u>\$ 214,076.58</u>

NOTE 16 – SIGNIFICANT CONTINGENCIES - LITIGATION

At June 30, 2021, the school district was not involved in any litigation.

NOTE 17 – SUBSEQUENT EVENT

On June 1, 2021, the voters of the district approved the issuance of \$60 million in bonds for the construction of another Middle School, Freshman Academy and related miscellaneous other projects. The bond issuance will be in the next fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION
HARRISBURG SCHOOL DISTRICT NO. 41-2
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 15,515,000.00	\$ 15,515,000.00	\$ 15,416,801.20	\$ (98,198.80)
Prior Years' Ad Valorem Taxes	155,000.00	155,000.00	184,380.92	29,380.92
Utility Taxes	265,000.00	265,000.00	253,506.38	(11,493.62)
Penalties and Interest on Taxes	30,000.00	30,000.00	25,487.77	(4,512.23)
Earnings on Investments and Deposits	70,000.00	70,000.00	7,352.66	(62,647.34)
Cocurricular Activities:				
Admissions	78,000.00	78,000.00	58,320.80	(19,679.20)
Rentals			3,280.00	3,280.00
Other			3,019.31	3,019.31
Other Revenue from Local Sources:				
Rentals	85,000.00	85,000.00	81,552.25	(3,447.75)
Contributions and Donations			6,565.05	6,565.05
Charges for Services	40,000.00	40,000.00	243,075.85	203,075.85
Other	1,062,985.00	1,062,985.00	867,352.65	(195,632.35)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	140,000.00	140,000.00	149,510.72	9,510.72
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	19,575,000.00	20,286,647.00	20,702,955.54	416,308.54
Other State Revenue	450,000.00	450,000.00		(450,000.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid				
Received from Federal				
Government through the State			2,179,830.00	2,179,830.00
Restricted Grants-in-Aid				
Received from Federal				
Government through the State	<u>2,792,175.00</u>	<u>2,792,175.00</u>	<u>1,042,148.00</u>	<u>(1,750,027.00)</u>
Total Revenue	<u>40,258,160.00</u>	<u>40,969,807.00</u>	<u>41,225,139.10</u>	<u>255,332.10</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	11,702,454.00	11,947,454.00	11,481,318.11	466,135.89
Middle/Junior High	6,454,448.00	6,568,595.00	6,386,841.87	181,753.13
High School	6,106,775.00	6,136,775.00	5,946,999.94	189,775.06
Special Programs:				
Gifted and Talented	785,960.00	791,960.00	762,920.65	29,039.35
Culturally Different	641,889.00	641,889.00	607,698.16	34,190.84
Educationally Deprived	134,748.00	134,748.00	112,900.54	21,847.46
Other Special Programs	248,459.00	251,459.00	251,396.04	62.96

**REQUIRED SUPPLEMENTARY INFORMATION
HARRISBURG SCHOOL DISTRICT NO. 41-2
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Support Services:				
Pupils:				
Guidance	964,749.00	989,749.00	957,103.62	32,645.38
Health	669,687.00	729,687.00	703,666.50	26,020.50
Support Services - Instructional Staff:				
Improvement of Instruction	1,710,075.00	1,710,075.00	1,403,571.12	306,503.88
Educational Media	1,200,096.00	1,222,096.00	1,177,331.78	44,764.22
Support Services - General Administration:				
Board of Education	178,443.00	193,443.00	172,134.90	21,308.10
Executive Administration	241,470.00	241,470.00	234,510.04	6,959.96
Support Services - School Administration:				
Office of the Principal	1,640,510.00	1,648,510.00	1,628,532.06	19,977.94
Other School Administration	3,000.00	3,125.00	3,100.68	24.32
Support Services - Business:				
Fiscal Services	1,087,922.00	1,096,922.00	1,071,267.35	25,654.65
Operation and Maintenance of Plant	4,455,791.00	4,630,791.00	4,598,124.36	32,666.64
Pupil Transportation	1,313,853.00	1,368,853.00	1,232,640.95	136,212.05
Food Service		75,000.00	72,036.11	2,963.89
Internal Services	35,000.00	37,500.00	37,309.03	190.97
Support Services-Central:				
Informational	100,722.00	100,722.00	97,248.71	3,473.29
Staff	119,142.00	122,642.00	15,787.75	106,854.25
Other			105,403.84	(105,403.84)
Community Services:				
Nonpublic School	208,771.00	208,771.00	84,087.89	124,683.11
Non-Programmed Charges:				
Payments for Unemployment	15,000.00	21,000.00	20,708.72	291.28
Early Retirement Payments	74,796.00	74,796.00	74,796.05	(0.05)
Cocurricular Activities:				
Male Activities	259,899.00	268,899.00	259,578.81	9,320.19
Female Activities	245,004.00	251,254.00	231,349.55	19,904.45
Combined Activities	1,075,208.00	1,093,160.00	1,019,693.38	73,466.62
Contingencies	100,000.00			
Total Expenditures	<u>41,773,871.00</u>	<u>42,561,345.00</u>	<u>40,750,058.51</u>	<u>1,811,286.49</u>
Excess of Revenue Over (Under)				
Expenditures	<u>(1,515,711.00)</u>	<u>(1,591,538.00)</u>	<u>475,080.59</u>	<u>2,066,618.59</u>
Other Financing Sources:				
Transfer In	<u>1,515,711.00</u>	<u>1,515,711.00</u>	<u>757,000.00</u>	<u>(758,711.00)</u>
Net Change in Fund Balances	0.00	(75,827.00)	1,232,080.59	1,307,907.59
Fund Balance - Beginning	<u>5,717,148.50</u>	<u>5,717,148.50</u>	<u>5,717,148.50</u>	
FUND BALANCE - ENDING	<u>\$ 5,717,148.50</u>	<u>\$ 5,641,321.50</u>	<u>\$ 6,949,229.09</u>	<u>\$ 1,307,907.59</u>

**REQUIRED SUPPLEMENTARY INFORMATION
HARRISBURG SCHOOL DISTRICT NO. 41-2
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 8,525,000.00	\$ 8,525,000.00	\$ 8,373,766.55	\$ (151,233.45)
Prior Years' Ad Valorem Taxes	72,000.00	72,000.00	84,295.55	12,295.55
Penalties and Interest on Taxes	10,000.00	10,000.00	9,217.66	(782.34)
Other Revenue from Local Sources:				
Contributions and Donations			44,716.02	44,716.02
Other	320,000.00	320,000.00	593,262.12	273,262.12
Revenue from State Sources:				
Other State Revenue	98,880.00	98,880.00	98,880.60	0.60
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received from Federal Government through the State	<u>1,000,958.00</u>	<u>1,000,958.00</u>	<u>431,550.00</u>	<u>(569,408.00)</u>
Total Revenue	<u>10,026,838.00</u>	<u>10,026,838.00</u>	<u>9,635,688.50</u>	<u>(391,149.50)</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	1,573,496.00	1,573,496.00	1,444,735.29	128,760.71
Middle/Junior High	625,510.00	625,510.00	516,174.73	109,335.27
High School	760,000.00	760,000.00	601,089.12	158,910.88
Special Programs:				
Programs for Gifted and Talented	119,260.00	119,260.00	30,500.21	88,759.79
Programs for Special Education	341,840.00	341,840.00	149,934.93	191,905.07
Programs for Culturally Different	5,600.00	5,600.00	2,103.58	3,496.42
Support Services - Pupils:				
Health	1,100.00	1,100.00		1,100.00
Support Services - Instructional Staff:				
Educational Media	314,700.00	322,700.00	308,530.01	14,169.99
Support Services - Business:				
Fiscal Services	20,705.00	21,955.00	21,734.59	220.41
Facilities Acquisition and Construction	3,517,028.00	3,697,028.00	2,778,925.57	918,102.43
Operation and Maintenance of Plant	555,640.00	980,640.00	942,551.71	38,088.29
Pupil Transportation	862,550.00	868,800.00	868,551.37	248.63
Information	90,805.00	90,805.00	25,645.11	65,159.89
Debt Services	1,125,089.00	1,125,089.00	1,124,838.76	250.24
Cocurricular Activities:				
Combined Activities	<u>185,460.00</u>	<u>185,460.00</u>	<u>160,661.33</u>	<u>24,798.67</u>
Total Expenditures	<u>10,098,783.00</u>	<u>10,719,283.00</u>	<u>8,975,976.31</u>	<u>1,743,306.69</u>
Excess of Revenue Over (Under)				
Expenditures	(71,945.00)	(692,445.00)	659,712.19	1,352,157.19
Other Financing Sources:				
Transfer Out	<u>(1,515,711.00)</u>	<u>(1,515,711.00)</u>	<u>(757,000.00)</u>	<u>758,711.00</u>
Net Change in Fund Balances	(1,587,656.00)	(2,208,156.00)	(97,287.81)	2,110,868.19
Fund Balance - Beginning	<u>8,061,960.68</u>	<u>8,061,960.68</u>	<u>8,061,960.68</u>	
FUND BALANCE - ENDING	<u>\$ 6,474,304.68</u>	<u>\$ 5,853,804.68</u>	<u>\$ 7,964,672.87</u>	<u>\$ 2,110,868.19</u>

REQUIRED SUPPLEMENTARY INFORMATION
HARRISBURG SCHOOL DISTRICT NO. 41-2
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 4,415,000.00	\$ 4,415,000.00	\$ 5,118,692.04	\$ 703,692.04
Prior Years' Ad Valorem Taxes	42,000.00	42,000.00	49,303.89	7,303.89
Penalties and Interest on Taxes	7,000.00	7,000.00	5,262.17	(1,737.83)
Tuition and Fees:				
Regular Day School Tuition			76,348.00	76,348.00
Other Revenue from Local Sources:				
Charges for Services	80,879.00	80,879.00	43,199.32	(37,679.68)
Other Local Revenue	76,848.00	76,848.00	2,218.00	(74,630.00)
Revenue from State Sources:				
Restricted Grants-in-Aid	3,178,000.00	3,178,000.00	3,102,320.00	(75,680.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received from Federal Government through State			91,120.00	91,120.00
Restricted Grants-in-Aid Received from Federal Government through State	1,303,196.00	1,303,196.00	1,285,108.40	(18,087.60)
Total Revenue	<u>9,102,923.00</u>	<u>9,102,923.00</u>	<u>9,773,571.82</u>	<u>670,648.82</u>
Expenditures:				
Special Programs				
Programs for Special Education	6,361,967.00	6,491,967.00	6,038,661.42	453,305.58
Support Services				
Pupils:				
Attendance and Social Work Service:	68,522.00	68,522.00	65,114.73	3,407.27
Health	76,821.00	76,821.00	12,581.65	64,239.35
Psychological	603,304.00	603,304.00	586,947.84	16,356.16
Speech Pathology	1,061,204.00	1,061,204.00	1,009,354.60	51,849.40
Audiology	50,000.00	50,000.00	28,367.15	21,632.85
Student Therapy Services	351,515.00	351,515.00	337,944.79	13,570.21
Orientation and Mobility Services	17,150.00	34,650.00	25,980.38	8,669.62
Support Services - Special Education				
Administrative Costs	406,253.00	406,403.00	393,545.43	12,857.57
Transportation Costs	104,187.00	104,687.00	27,202.31	77,484.69
Autism/Preschool	2,000.00	2,000.00	23,063.46	(21,063.46)
Other Special Education Costs		32,000.00	31,347.63	652.37
Total Expenditures	<u>9,102,923.00</u>	<u>9,283,073.00</u>	<u>8,580,111.39</u>	<u>702,961.61</u>
Net Change in Fund Balance	0.00	(180,150.00)	1,193,460.43	1,373,610.43
Fund Balance - Beginning	<u>1,530,883.05</u>	<u>1,530,883.05</u>	<u>1,530,883.05</u>	
FUND BALANCE - ENDING	<u>\$ 1,530,883.05</u>	<u>\$ 1,350,733.05</u>	<u>\$ 2,724,343.48</u>	<u>\$ 1,373,610.43</u>

HARRISBURG SCHOOL DISTRICT NO. 41-2
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

NOTE 1 - BUDGET AND BUDGETARY ACCOUNTING

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

1. Prior to the first regular board meeting in May of each year the 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 the 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 fund.
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- GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

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

Schedule of Required Supplementary Information
HARRISBURG SCHOOL DISTRICT NO. 41-2

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

	2015	2016	2017	2018	2019	2020	2021
District's proportion of the net pension liability (asset)	0.9072685%	0.9705906%	1.0211688%	1.1095202%	1.2374474%	1.3126280%	1.3964568%
District's proportionate share of net pension liability (asset)	\$ (6,536,499)	\$ (4,116,552)	\$ 3,449,407	\$ (100,690)	\$ (28,860)	\$ (139,103)	\$ (60,648)
District's covered-employee payroll	\$ 15,837,432	\$ 17,674,477	\$ 19,389,931	\$ 22,543,166	\$ 25,722,932	\$ 27,908,863	\$ 30,648,646
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-41.27%	-23.29%	17.79%	-0.45%	-0.11%	-0.50%	-0.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.30%	104.10%	96.89%	100.10%	100.02%	100.09%	100.04%

* 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

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

Schedule of Required Supplementary Information
HARRISBURG SCHOOL DISTRICT NO. 41-2
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS
South Dakota Retirement System

	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required contribution	\$ 951,941	\$ 1,063,251	\$ 1,166,765	\$ 1,352,575	\$ 1,543,446	\$ 1,674,550	\$ 1,838,882	\$ 2,097,482
Contributions in relation to the contractually required contribution	\$ 951,941	\$ 1,063,251	\$ 1,166,765	\$ 1,352,575	\$ 1,543,446	\$ 1,674,550	\$ 1,838,882	\$ 2,097,482
Contribution deficiency (excess)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
District's covered-employee payroll	\$ 15,837,432	\$ 17,674,477	\$ 19,389,931	\$ 22,543,166	\$ 25,722,932	\$ 27,908,863	\$ 30,648,646	\$ 34,957,713
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

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

HARRISBURG SCHOOL DISTRICT NO. 41-2
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of the Proportional Share of the Net Pension Liability (Asset) and
Schedule of Contributions

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

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

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019 and is 1.41% as of June 30, 2020.

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

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

Actuarial Method Changes

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

**HARRISBURG SCHOOL DISTRICT NO. 41-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures Amount 2021</u>
U.S. Department of Agriculture:			
Pass-Through the SD Department of Education:			
Child Nutrition Cluster: (Note 4)			
Non-cash Assistance: (Commodities)	10.555	NSLP-41002-21	\$ 280,768.47
Cash Assistance: (Note 3)			
School Breakfast Program	10.553	NSLP-41002-21	321,482.86
Special Milk Program	10.556	NSLP-41002-21	368.11
National School Lunch Program	10.555	NSLP-41002-21	<u>2,162,837.16</u>
Total U.S. Department of Agriculture			<u>2,765,456.60</u>
US Department of the Treasury			
Pass-Through State of South Dakota:			
Coronavirus Relief Fund (Note 4)	21.019	CRF-41002-21	2,702,500.00
U.S. Department of Education:			
Pass-Through the SD Department of Education:			
Title I Grants to Local Educational Agencies	84.010A	TIA-41002-21	114,118.00
Special Education Cluster:			
Special Education - Grants to States	84.027	611-41002-21	1,070,142.00
Special Education - Preschool Grants	84.173	619-41002-21	<u>9,854.00</u>
Total Special Education Cluster			<u>1,079,996.00</u>
Career and Technical Education – Basic Grants to States	84.048A	PRPI-41002-21	41,343.00
Vocational Rehabilitation Grant	84.126	VRG-41002-21	77,467.40
Homeless Children and Youth Programs	84.196	N/A	1,387.00
English Language Acquisition State Grants (ESL)	84.365	ESL-41002-21	25,087.00
Improving Teacher Quality State Grants	84.367	TIIA-41002-21	90,560.00
School Support and Academic Enrichment Grants	84.424	TIVA-41002-21	10,000.00
Elementary and Secondary School Emergency Relief Fund - ESSER I (Note 4)	84.425D	ESF-41002-21	<u>887,298.00</u>
Total U.S. Department of Education			<u>2,327,256.40</u>
Grand Total			<u>\$ 7,795,213.00</u>

**HARRISBURG SCHOOL DISTRICT NO. 41-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Note 1: *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

Note 2: *Summary of Significant Accounting Policies*

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The School District has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: *Federal Reimbursement*

Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

Note 4: *Major Federal Financial Assistance Program*

This represents a Major Federal Financial Assistance Program.

QUAM, BERGLIN & POST, P.C.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

School Board
Harrisburg School District
Lincoln County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the Harrisburg School District No.41-2, Lincoln County, South Dakota, as of June 30, 2021 and for the year then ended, and the related notes to the financial statements, which collectively comprise which collectively comprise the School's basic financial statements and have issued our report thereon dated March 14, 2022, which was qualified because the long-term financial obligations and commitments related to other postemployment benefits was not recorded.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs that we consider to be a significant deficiency. We consider the deficiency described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item number 2021-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which would 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*.

Harrisburg School District's Response to Finding

The Harrisburg School District's response to the finding identified in our audit is described in the accompanying Corrective Action Plan as listed in the Table of Contents. The School's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Quam, Berglin & Post, P.C.
Certified Public Accountants

March 14, 2022

QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

School Board
Harrisburg School District
Lincoln County, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Harrisburg School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2021. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Harrisburg School District's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Harrisburg School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Harrisburg School District, Lincoln County, South Dakota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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



Quam, Berglin & Post, P.C.
Certified Public Accountants

March 14, 2022

**HARRISBURG SCHOOL DISTRICT NO. 41-2
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

PRIOR FEDERAL COMPLIANCE AUDIT FINDINGS:

The prior audit report contained no written federal audit findings.

PRIOR OTHER AUDIT FINDINGS:

Internal Control Related Finding – Material Weakness:

Prior Finding Number 2020-001

A material weakness in internal controls was reported for a lack of segregation of duties for revenues. This comment results from the size of the district, which precludes staffing at a level sufficient to provide an ideal environment for internal control.

Corrective Action Plan:

This prior audit comment has not been corrected and is restated as finding number 2021-001.

**HARRISBURG SCHOOL DISTRICT NO. 41-2
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:

Financial Statements

- a. An unmodified opinion was issued on the business-type activities, each major fund, and the aggregate remaining fund information for the primary government. A qualified opinion for the lack of reporting long-term financial obligations and commitments related to other postemployment benefits was issued for the statements of the governmental activities
- b. A significant deficiency was disclosed by our audit of the financial statements for a lack of segregation of duties for revenues as discussed in finding number 2020-001.
- c. Our audit did not disclose any noncompliance that was material to the financial statements.

Federal Awards

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Uniform Guidance.
- f. The federal awards tested as major programs included:

Pass-Through the SD Department of Education:

Child Nutrition Cluster:

National School Lunch Program

School Breakfast Program

Elementary & Secondary School Emergency Relief

CFDA#

10.555

10.553

84.425D

Pass-Through the SD Department of Treasury:

Coronavirus Relief Fund

CFDA#

21.019

- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.00.
- h. Harrisburg School District did qualify as a low-risk entity.

**HARRISBURG SCHOOL DISTRICT NO. 41-2
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

CURRENT FEDERAL AUDIT FINDINGS:

There are no current federal compliance audit findings to report.

CURRENT OTHER AUDIT FINDINGS:

Internal Control-Related Findings – Significant Deficiency:

Audit Finding Number 2021-001:

A significant deficiency was disclosed by our audit of the financial statements for a lack of segregation of duties.

Criteria:

In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping of the tasks. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management assertions.

Condition, Cause and Effect:

A significant deficiency in internal control was reported due to lack of proper segregation of duties, resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

Recommendations:

We recommend that the Board of Directors be cognizant of this lack of segregation of duties and attempt to provide compensating controls, whenever and wherever possible and practical.

Corrective Action Plan:

Jennifer Conway, Business Manager for Harrisburg School District, is the contact person responsible for the corrective action plan for this comment. The School District is aware of this problem and has prepared a response to this finding found in the Corrective Action Plan.



HARRISBURG SCHOOL DISTRICT 41-2

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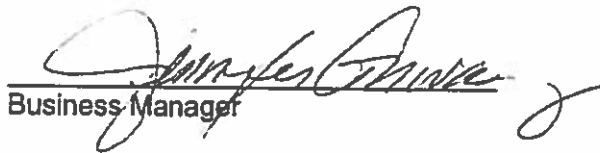
Tim Graf, Superintendent ▪ Extension 3002 ▪ tim.graf@k12.sd.us
Jennifer Conway, Business/HR Manager ▪ Extension 3003 ▪ jennifer.conway@k12.sd.us

CORRECTIVE PLAN OF ACTION JUNE 30, 2021

Harrisburg School District No. 41-2 has considered the lack of segregation of duties. At this time it is not cost efficient for Harrisburg School District No. 41-2 to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by Harrisburg School District No. 41-2 to decrease the likelihood that financial data is adversely affected.

Harrisburg School District No. 41-2 will continue to monitor the necessity to have segregation of duties and implement such segregation as budget dollars and board authority allows.


School Superintendent


Business Manager