

**Harrisburg School District No. 41-2**

**Independent Auditor's Report  
and Financial Statements**

**For the Year Ended  
June 30, 2022**

## **Harrisburg School District No. 41-2**

School District Officials

June 30, 2022

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### Board Members

Mike Knudson----- Board President

Linda Heerde -----Vice President

Jay Hutton ----- Member

Lisa Groon----- Member

Terra Vennard ----- Member

Tim Graf -----Superintendent

Jennifer Conway-----Business Manager

# Harrisburg School District No. 41-2

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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 No. 41-2  
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 of the Harrisburg School District No. 41-2, South Dakota (School District), as of June 30, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 31, 2023, which was qualified because the long-term financial obligations and commitments related to other postemployment benefits was not recorded.

**Report on Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Prior and Current Audit Findings and Questioned Costs as item 2022-001 that we consider to be a significant deficiency.

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

As part of obtaining reasonable assurance about whether the School District'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 could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **School District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the School District's response to the findings identified in our audit. The School District's response to the findings identified in our audit are described in the accompanying Schedule of Prior and Current Audit Findings and Questioned Costs. The School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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.

A handwritten signature in dark ink that reads "CIO Prof LLC". The signature is written in a cursive, flowing style.

Elk Point, South Dakota  
March 31, 2023



**Independent Auditor’s Report on Compliance for each Major Program and on  
Internal Control over Compliance Required by the Uniform Guidance**

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

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

**Opinion on Each Major Federal Program**

We have audited the Harrisburg School District No. 41-2, South Dakota (School District), 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, 2022. The School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Prior and Current Audit Findings and Questioned Costs.

In our opinion, the Harrisburg School District No. 41-2 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, 2022.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School District’s compliance with the compliance requirements referred to above.

## **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to School District's federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

#### **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.

A handwritten signature in dark ink that reads "ELO Prof LLC". The letters are cursive and somewhat stylized.

Elk Point, South Dakota  
March 31, 2023

**Harrisburg School District No. 41-2**  
Schedule of Prior and Current Audit Findings and Questioned Costs  
Year ended June 30, 2022

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**Section I - Summary of Auditor's Results**

**Financial Statements:**

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.

Internal control over financial reporting:

Material weakness(es) identified:        Yes   X   None reported

Significant deficiencies identified that are not considered to be material weakness(es)?   X   Yes        None reported

Noncompliance material to financial statements noted?        Yes   X   No

**Federal Awards:**

Internal control over major programs:

Material weakness(es) identified?        Yes   X   None reported

Significant deficiencies identified that are not considered to be material weakness(es)?        Yes   X   None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.156(a).        Yes   X   No

**Identification of Major Programs:**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425D	Elementary and Secondary School Emergency Relief Fund
84.425U	American Rescue Plan Elementary and Secondary School Emergency Relief

Dollar threshold used to distinguish

between type A and type B programs:        \$   750,000  

Auditee qualified as low-risk auditee?   X   Yes        No

**Harrisburg School District No. 41-2**  
Schedule of Prior and Current Audit Findings and Questioned Costs (Continued)  
Year ended June 30, 2022

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**Section II – Financial Statement Findings**

**Prior Audit Findings**

Finding 2021-001 – Lack of Segregation of Duties

A significant deficiency in internal controls was disclosed by our audit for lack of proper segregation of duties for revenues and expenditures. This finding has not been corrected and is being restated as current audit finding number 2022-001.

**Current Audit Findings**

Finding 2022-001 – Lack of Segregation of Duties

Condition: There is a general lack of segregation of duties and monitoring of accounting functions including payroll, journal entries, and reconciliations specifically relating to year-end entries due to the small staff size and lack of involvement of other business office employees in the finance function of the District.

Criteria: Duties within the finance function of the District should be segregated among Business Office employees and activities monitored to mitigate risk of error.

Cause: This condition exists due to small staff size within the finance function of the District. These issues are common in a district of this size.

Effect: The Business Manager performs closing entries and reconciliations without oversight. The possibility of fraud or errors occurring and not being detected or corrected is present.

Auditor's Recommendation: It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with the Business Manager performing entries and reconciliations without proper oversight, because of cost or other considerations.

Views of Responsible Officials: Management agrees with the finding. A response can be found in the Corrective Action Plan.

Repeat Finding from Prior Years: Yes

**Section III – Federal Award Findings and Questioned Costs**

There are no findings or questioned costs relating to federal award programs which are required to be reported in accordance with 2 CFR 200.156(a).



## **HARRISBURG SCHOOL DISTRICT 41-2**

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Telephone: 605.743.2567 • Fax: 605.743.2569

**Tim Graf**, Superintendent • Extension 3002 • [tim.graf@k12.sd.us](mailto:tim.graf@k12.sd.us)  
**Jennifer Conway**, Business/HR Manager • Extension 3003 • [jennifer.conway@k12.sd.us](mailto:jennifer.conway@k12.sd.us)

### **Corrective Action Plan (Unaudited)**

Harrisburg School District No. 41-2 respectfully submits the following corrective action plan for the year ended June 30, 2022:

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.

Name and address of independent public accounting firm:

ELO Prof. LLC  
110 W Main  
Elk Point, SD 57025

Name of Responsible Person: Jennifer Conway, Business Manager

Name of Department Contact: Jennifer Conway, Business Manager

Anticipated Date: Ongoing



## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Harrisburg School District No. 41-2, South Dakota (School District), as of June 30, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, except for the matters described in the "Basis for Qualified and Unmodified Opinions" section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Harrisburg School District No. 41-2 as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Qualified and Unmodified Opinions

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

Management has elected not to record the 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 services, which would most likely increase long-term liabilities and expenditures and decrease net position 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.

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

## Required Supplementary Information

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

## 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 as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards 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 31, 2023 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.



Elk Point, South Dakota  
March 31, 2023

**Harrisburg School District No. 41-2**  
Management Discussion and Analysis (MD&A)  
June 30, 2022

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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, 2022. 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 \$10,784,458.

### **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 funds operated by the school are the Food Service Operation and the Other Enterprise fund which consists of driver's education and the newspaper/bookstore.
- 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.

**Harrisburg School District No. 41-2**  
Management Discussion and Analysis (MD&A)  
June 30, 2022

Figure A-1 summarizes the major features of the School's financial statements, including the portion of the School government covered and the types of information contained. The reminder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1  
Major Features of the School's Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School government (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, drivers' education program, and newspaper and bookstore.	Instances in which the School is the trustee or agent for someone else's resources.
Required Financial Statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
Accounting Basis and Measurement Focus	<ul style="list-style-type: none"> <li>• Accrual accounting and economic resources focus</li> </ul>	Modified accrual accounting and current financial resources focus	<ul style="list-style-type: none"> <li>• Accrual accounting and economic resources focus</li> </ul>	<ul style="list-style-type: none"> <li>• Accrual accounting and economic resources focus</li> </ul>
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 expenses during year, regardless of when cash is received or paid

**Harrisburg School District No. 41-2**  
Management Discussion and Analysis (MD&A)  
June 30, 2022

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### **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).

**Harrisburg School District No. 41-2**  
Management Discussion and Analysis (MD&A)  
June 30, 2022

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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 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.

**Harrisburg School District No. 41-2**  
Management Discussion and Analysis (MD&A)  
June 30, 2022

**Financial Analysis of the School as a Whole**

**Net Position**

The School's combined net position increased as follows:

Table A-1  
Harrisburg School District 41-2  
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2021	2022	2021	2022	2021	2022	2021-2022
Current and Other Assets	\$ 92,097,993	\$ 119,761,326	\$ 1,268,269	\$ 2,416,710	\$ 93,366,262	\$ 122,178,036	30.86%
Capital Assets (Net of Depreciation)	150,432,116	170,002,579	29,658	19,052	150,461,774	170,021,631	13.00%
Total Assets	242,530,109	289,763,905	1,297,927	2,435,762	243,828,036	292,199,667	19.84%
Pension Related Deferred Outflows	9,919,929	16,247,750	--	--	9,919,929	16,247,750	63.79%
Total Deferred Outflows or Resources	9,919,929	16,247,750	--	--	9,919,929	16,247,750	63.79%
Long-Term Liabilities Outstanding	185,625,192	208,877,922	--	--	185,625,192	208,877,922	12.53%
Other Liabilities	6,564,869	11,012,068	324,400	432,152	6,889,269	11,444,220	66.12%
Total Liabilities	192,190,061	219,889,990	324,400	432,152	192,514,461	220,322,142	14.44%
Taxes Levied for Future Period	19,112,665	20,685,745	--	--	19,112,665	20,685,745	8.23%
Pension Related Deferred Inflows	8,564,650	23,098,883	--	--	8,564,650	23,098,883	169.70%
Total Deferred Inflows of Resources	27,677,315	43,784,628	--	--	27,677,315	43,784,628	58.20%
Net Investment in Capital Assets	2,219,960	2,262,433	29,658	19,052	2,249,618	2,281,485	1.42%
Restricted	23,479,300	32,256,277	--	--	23,479,300	32,256,277	37.38%
Unrestricted	6,883,402	7,818,327	943,869	1,984,558	7,827,271	9,802,885	25.24%
Total Net Assets	32,582,662	42,337,037	973,527	2,003,610	33,556,189	44,340,647	32.14%
Beginning Net Position	30,234,384	32,582,662	663,250	973,527	30,897,634	33,556,189	8.60%
Increase (Decrease) in Net Position	\$ 2,348,278	\$ 9,754,375	\$ 310,277	\$ 1,030,083	\$ 2,658,555	\$ 10,784,458	-305.65%
Percentage of Increase (Decrease) in Net Position	7.77%	29.94%	46.78%	105.81%	8.60%	32.14%	

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 intangible lease liabilities 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.

**Harrisburg School District No. 41-2**  
Management Discussion and Analysis (MD&A)  
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**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 \$83,479,469. Approximately 52% of the District's revenue comes from property and other taxes, with another 30% coming from state aid and other state sources. (See Table A-2).

Table A-2  
Harrisburg School District 41-2  
Sources of Revenues  
Fiscal Year 2021-2022

Taxes	\$ 43,576,323	52.20%
State Sources	25,030,393	29.98%
Operating Grants & Contributions	7,861,976	9.42%
Charges For Services	4,136,706	4.96%
Other General Revenues	2,854,406	3.42%
Unrestricted Investment Earnings	<u>19,665</u>	<u>0.02%</u>
Total Revenue	<u>\$ 83,479,469</u>	<u>100.00%</u>

The total cost of all functional programs and services decreased by \$115,119 or approximately .16%. The District's expenses cover a range of services encompassing instruction, support services and food services. (See Table A-3).

Table A-3  
Harrisburg School District 41-2  
Statement of Expenditures  
Fiscal Year 2021-2022

Instruction	\$ 39,820,090	54.78%
Support Services	20,414,206	28.08%
Interest - on Long-Term Debt	6,788,901	9.34%
Community Services	23,439	0.03%
Cocurricular Activities	1,908,664	2.63%
Food Service	3,664,582	5.04%
Other Enterprise	<u>75,129</u>	<u>0.10%</u>
Total Expenditures	<u>\$ 72,695,011</u>	<u>100.00%</u>

**Harrisburg School District No. 41-2**  
Management Discussion and Analysis (MD&A)  
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**Governmental and Business-Type Activities**

Table A-4 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the School:

Table A-4  
Harrisburg School District 41-2  
Statement of Net Position

	Government Activities		Business-type Activities		Total		Total Percentage Change
	2021	2022	2021	2022	2021	2022	
Revenues							
Program Revenues							
Charge for Services	\$ 140,968	\$ 3,515,583	\$ 583,110	\$ 621,123	\$ 724,078	\$ 4,136,706	471.31%
Operating Grants/ Contributions	8,353,890	3,713,305	2,776,992	4,148,671	11,130,882	7,861,976	-29.37%
General Revenues							
Taxes	40,705,450	43,576,323	--	--	40,705,450	43,576,323	7.05%
Revenue State Sources	20,743,405	25,030,393	--	--	20,743,405	25,030,393	20.67%
Other general revenues	2,038,297	2,854,406	--	--	2,038,297	2,854,406	40.04%
Unrestricted Investment Earnings	126,573	19,665	--	--	126,573	19,665	-84.46%
	<u>72,108,583</u>	<u>78,709,675</u>	<u>3,360,102</u>	<u>4,769,794</u>	<u>75,468,685</u>	<u>83,479,469</u>	<u>10.61%</u>
Expenses							
Instruction	39,912,958	39,820,090	--	--	39,912,958	39,820,090	-0.23%
Support Services	22,379,274	20,414,206	--	--	22,379,274	20,414,206	-8.78%
Community Services	--	23,439	--	--	--	23,439	100.00%
Non-programmed Charges	20,709	--	--	--	20,709	--	-100.00%
Interest on long-term debt	5,684,699	6,788,901	--	--	5,684,699	6,788,901	19.42%
Co-curricular Activities	1,762,665	1,908,664	--	--	1,762,665	1,908,664	8.28%
Food Service	--	--	3,000,179	3,664,582	3,000,179	3,664,582	22.15%
Other Enterprise	--	--	49,646	75,129	49,646	75,129	51.33%
	<u>69,760,305</u>	<u>68,955,300</u>	<u>3,049,825</u>	<u>3,739,711</u>	<u>72,810,130</u>	<u>72,695,011</u>	<u>-0.16%</u>
Increase (Decrease) in Net Position	2,348,278	9,754,375	310,277	1,030,083	2,658,555	10,784,458	305.65%
Beginning Net Position	30,234,384	32,582,662	663,250	973,527	30,897,634	33,556,189	8.60%
Ending Net Position	<u>\$32,582,662</u>	<u>\$ 42,337,037</u>	<u>\$ 973,527</u>	<u>\$ 2,003,610</u>	<u>\$33,556,189</u>	<u>\$44,340,647</u>	<u>32.14%</u>

**Harrisburg School District No. 41-2**  
Management Discussion and Analysis (MD&A)  
June 30, 2022

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**Governmental Activities**

The increase in governmental activities was due an increase in revenue from state sources and an increase in charges for services.

**Business-Type Activities**

Revenues of the District's business-type activities increased by \$1,409,692 or 42%, and expenses increased by \$689,886 or approximately 23%. Factors contributing to these results include an increase in operating grants/contributions, along with increased expenditures in food service.

**Financial Analysis of the District's Funds**

The Special Education fund decreased from 2021, by \$628,496. Revenues remained consistent and expenditures increased. Fund balances in Capital Outlay increased by \$2,892,144 from the past year mostly due an increase in taxes and other revenue from local sources. Bond Redemption fund balances are less than in 2021 by \$32,371,314 as the District refunded bonds and put them into the Capital Projects Funds. The Capital Projects Fund shows an increase of \$39,221,691 due to refunding bond proceeds.

**Budgetary Highlights**

Over the course of the year, the School Board revised the School budget several times. 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.

**Harrisburg School District No. 41-2**  
Management Discussion and Analysis (MD&A)  
June 30, 2022

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**Capital Asset Administration**

By the end of 2022, the School had invested \$170,021,631 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5) This amount represents a net increase (including additions, deletions and depreciation) of \$19,559,857 from the previous year

Table A-5  
Capital Assets  
(net of depreciation/amortization)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Dollar Change</b>	<b>Total % Change</b>
	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>		
Land	\$ 9,188,315	\$ 10,301,184	\$ --	\$ --	\$ 1,112,869	12.11%
Construction in progress	500,235	21,563,572	--	--	21,063,337	100.00%
Buildings & Improvements	137,265,341	134,380,785	--	--	(2,884,556)	-2.10%
Machinery & Equipment	3,095,413	3,132,363	29,658	19,052	26,344	0.84%
Intangible Lease Assets	--	197,464	--	--	197,464	100.00%
Library Books	382,812	427,211	--	--	44,399	11.60%
Total Capital Assets	<u>\$ 150,432,116</u>	<u>\$ 170,002,579</u>	<u>\$ 29,658</u>	<u>\$ 19,052</u>	<u>\$19,559,857</u>	<u>13.00%</u>

**Long-Term Debt**

At year-end, the School had \$208,877,922 in general long-term obligations. This balance includes General Obligation Bonds, Capital Outlay Certificates, Leases, and early retirement. See individual balances as shown on Table A-6 below:

Table A-6  
Outstanding Debt and Obligations

	<b>Governmental Activities</b>		<b>Total Dollar Change</b>	<b>Total % Change</b>
	<b>2021</b>	<b>2022</b>		
General Obligation Bonds	\$166,620,000	\$184,995,000	\$ 18,375,000	11.03%
Plus: Unamortized Premiums	9,901,618	15,575,057	5,673,439	57.30%
Capital Outlay Certificates	8,970,000	8,030,000	(940,000)	-10.48%
Intangible Lease Liabilities	--	202,263	202,263	100.00%
Early Retirement	133,574	75,602	(57,972)	-43.40%
Total Outstanding Debt	<u>\$185,625,192</u>	<u>\$208,877,922</u>	<u>\$ 23,252,730</u>	<u>12.53%</u>

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.

**Harrisburg School District No. 41-2**  
Management Discussion and Analysis (MD&A)  
June 30, 2022

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**Economic Factors and Next Year's Budgets and Rates**

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 School District has continually experienced an increase average daily membership (ADM) each year. See Table A-7:

Table A-7  
Harrisburg School District  
ADM for the Last Three Years

<u>Year</u>	<u>ADM</u>	<u>Percent (Decrease) in ADM</u>
2022	5699	4.34%
2021	5462	5.61%
2020	5172	7.57%

**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 – Government-Wide  
June 30, 2022

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 84,601,072	\$ 2,367,271	\$ 86,968,343
Taxes receivable	20,797,626	--	20,797,626
Inventories	--	49,439	49,439
Other assets	2,550,070	--	2,550,070
Net pension asset	11,812,558	--	11,812,558
Capital assets:			
Land and construction in progress	31,864,756	--	31,864,756
Other capital assets, net	138,137,823	19,052	138,156,875
<b>Total Assets</b>	<b>289,763,905</b>	<b>2,435,762</b>	<b>292,199,667</b>
<b>Deferred Outflows of Resources:</b>			
Pension-related deferred outflows	16,247,750	--	16,247,750
<b>Total Deferred Outflows of Resources</b>	<b>16,247,750</b>	<b>--</b>	<b>16,247,750</b>
<b>Liabilities:</b>			
Unearned revenue	--	324,395	324,395
Other current liabilities	11,012,068	107,757	11,119,825
Long-term liabilities:			
Due within one year	7,624,413	--	7,624,413
Due in more than one year	201,253,509	--	201,253,509
<b>Total Liabilities</b>	<b>219,889,990</b>	<b>432,152</b>	<b>220,322,142</b>
<b>Deferred Inflows of Resources:</b>			
Taxes levied for future periods	20,685,745	--	20,685,745
Pension related deferred inflows	23,098,883	--	23,098,883
<b>Total Deferred Inflows of Resources</b>	<b>43,784,628</b>	<b>--</b>	<b>43,784,628</b>
<b>Net Position:</b>			
Net investment in capital assets	2,262,433	19,052	2,281,485
Restricted for:			
Capital outlay	10,877,549	--	10,877,549
Special education	2,107,910	--	2,107,910
Debt service	14,309,393	--	14,309,393
SDRS pension purposes	4,961,425	--	4,961,425
Unrestricted	7,818,327	1,984,558	9,802,885
<b>Total Net Position</b>	<b>\$ 42,337,037</b>	<b>\$ 2,003,610</b>	<b>\$ 44,340,647</b>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**Harrisburg School District No. 41-2**  
Statement of Activities – Government-Wide  
June 30, 2022

				Net (Expenses) Revenues and Changes in Net Position		
		Program Revenues		Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction	\$ 39,820,090	\$ --	\$ 3,713,305	\$ (36,106,785)	\$ --	\$ (36,106,785)
Support services	20,414,206	3,407,095	--	(17,007,111)	--	(17,007,111)
Community Services	23,439	--	--	(23,439)	--	(23,439)
Interest on long-term debt*	6,788,901	--	--	(6,788,901)	--	(6,788,901)
Cocurricular activities	1,908,664	108,488	--	(1,800,176)	--	(1,800,176)
Total Governmental Activities	68,955,300	3,515,583	3,713,305	(61,726,412)	--	(61,726,412)
Business-Type Activities:						
Food service	3,664,582	526,248	4,148,671	--	1,010,337	1,010,337
Other enterprise	75,129	94,875	--	--	19,746	19,746
Total Business Type Activities	3,739,711	621,123	4,148,671	--	1,030,083	1,030,083
Total Primary Government	\$ 72,695,011	\$ 4,136,706	\$ 7,861,976	(61,726,412)	1,030,083	(60,696,329)
General Revenues:						
Taxes:						
*The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.				Property taxes	--	43,306,919
				Gross receipts taxes	--	269,404
				Revenue from state sources:		
				State aid	--	22,508,563
				Other	--	2,521,830
Unrestricted investment earnings				--	19,665	
Other general revenues				--	2,854,406	
Total General Revenues				71,480,787	--	71,480,787
Change in Net Position				9,754,375	1,030,083	10,784,458
Net Position - Beginning of Year				32,582,662	973,527	33,556,189
Net Position - End of Year				\$ 42,337,037	\$ 2,003,610	\$ 44,340,647

The accompanying Notes to Financial Statements are an integral part of this financial statement.

# Harrisburg School District No. 41-2

## Balance Sheet – Governmental Funds

June 30, 2022

	General	Capital Outlay	Special Education	Bond Redemption Funds	Capital Projects Funds	Total Governmental Funds
<b>Assets:</b>						
Cash and cash equivalents	\$ 10,942,699	\$ 10,398,580	\$ 3,124,145	\$ 14,283,740	\$ 45,851,908	\$ 84,601,072
Accounts receivable	36,936	600	--	--	--	37,536
Taxes receivable - current	7,830,522	4,332,925	2,688,569	5,833,729	--	20,685,745
Taxes receivable - delinquent	53,433	20,732	12,063	25,653	--	111,881
Due from other governments	1,963,397	478,122	30,876	--	--	2,472,395
Inventory	40,139	--	--	--	--	40,139
Total Assets	<u>\$ 20,867,126</u>	<u>\$ 15,230,959</u>	<u>\$ 5,855,653</u>	<u>\$ 20,143,122</u>	<u>\$ 45,851,908</u>	<u>\$ 107,948,768</u>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 196,658	\$ 20,485	\$ 76,663	\$ --	\$ 4,714,132	\$ 5,007,938
Contracts payable	4,112,443	--	767,292	--	--	4,879,735
Payroll deductions and withholding and employer matching payable	909,176	--	215,219	--	--	1,124,395
Total Liabilities	<u>5,218,277</u>	<u>20,485</u>	<u>1,059,174</u>	<u>--</u>	<u>4,714,132</u>	<u>11,012,068</u>
<b>Deferred Inflows of Resources:</b>						
Taxes levied for future period	7,830,522	4,332,925	2,688,569	5,833,729	--	20,685,745
Delinquent taxes not available	53,433	20,732	12,063	25,653	--	111,881
Total Deferred Inflows of Resources	<u>7,883,955</u>	<u>4,353,657</u>	<u>2,700,632</u>	<u>5,859,382</u>	<u>--</u>	<u>20,797,626</u>
<b>Fund Balances:</b>						
Nonspendable	40,139	--	--	--	--	40,139
Restricted:						
For capital outlay	--	10,856,817	--	--	41,137,776	51,994,593
For special education	--	--	2,095,847	--	--	2,095,847
For debt service	--	--	--	14,283,740	--	14,283,740
Unassigned	7,724,755	--	--	--	--	7,724,755
Total Fund Balances	<u>7,764,894</u>	<u>10,856,817</u>	<u>2,095,847</u>	<u>14,283,740</u>	<u>41,137,776</u>	<u>76,139,074</u>
Total Liabilities and Fund Balances	<u>\$ 20,867,126</u>	<u>\$ 15,230,959</u>	<u>\$ 5,855,653</u>	<u>\$ 20,143,122</u>	<u>\$ 45,851,908</u>	<u>\$ 107,948,768</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**Harrisburg School District No. 41-2**  
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2022

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Total Fund Balances - Governmental Funds \$ 76,139,074

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 governmental funds. 170,002,579

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Intangible Lease Liability	(202,263)	
GO Bonds	(200,570,057)	
Capital Outlay Certificates	(8,030,000)	
Early Retirement Payable	<u>(75,602)</u>	(208,877,922)

Assets that are not available to pay for current period expenditures are deferred in the governmental funds. Assets at year end consist of:

Delinquent Property Taxes Receivable 111,881

Proportionate Share of Net Pension Asset 11,812,558

Pension related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (23,098,883)

Pension related deferred outflows are components of non current assets and therefore are not reported in the funds. 16,247,750

Net Position - Governmental Activities \$ 42,337,037

## Harrisburg School District No. 41-2

### Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

June 30, 2022

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption Funds</u>	<u>Capital Projects Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
Revenue from Local Sources:						
Taxes:						
Ad valorem taxes	\$ 16,493,614	\$ 9,017,709	\$ 5,608,680	\$ 11,819,171	\$ --	\$ 42,939,174
Prior years' ad valorem taxes	149,183	71,567	43,959	92,684	--	357,393
Utility taxes	269,404	--	--	--	--	269,404
Penalties and interest on taxes	24,200	8,451	5,158	11,090	--	48,899
Earnings on Investments and Deposits	5,631	--	--	--	14,034	19,665
Cocurricular Activities:				--		
Admissions	85,409	--	--	--	--	85,409
Rentals	5,540	--	--	--	--	5,540
Other student activity income	17,539	--	--	--	--	17,539
Other Revenue from Local Sources:						
Rentals	90,769	--	--	--	--	90,769
Contributions and donations	16,449	200,000	--		--	216,449
Charges for services	141,482	--	40,572	--	--	182,054
Other	1,061,427	1,134,711	1,221		--	2,197,359
Revenue from Intermediate Sources:						
County Sources:						
County apportionment	167,775	--	--	--	--	167,775
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted grants-in-aid	22,508,563	--	--	--	--	22,508,563
Restricted grants-in-aid	69,506	--	2,452,324	--	--	2,521,830
Revenue from Federal Sources:						
Grants-in-Aid:						
Restricted grants-in-aid received from federal government through the state	2,128,587	512,830	1,071,888	--	--	3,713,305
Total Revenues	<u>\$ 43,235,078</u>	<u>\$ 10,945,268</u>	<u>\$ 9,223,802</u>	<u>\$ 11,922,945</u>	<u>\$ 14,034</u>	<u>\$ 75,341,127</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**Harrisburg School District No. 41-2**  
**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds**  
**June 30, 2022 (Continued)**

	General	Capital Outlay	Special Education	Bond Redemption Funds	Capital Projects Funds	Total Governmental Funds
<b>Expenditures</b>						
Instructional Services:						
Regular programs:						
Elementary	\$ 11,945,853	\$ 980,083	\$ --	\$ --	\$ --	\$ 12,925,936
Middle/junior high	6,578,805	920,073	--	--	--	7,498,878
High school	6,346,015	1,151,909	--	--	--	7,497,924
Special programs:						
Gifted and talented	791,296	12,371	--	--	--	803,667
Programs for special education	--	--	6,208,106	--	--	6,208,106
Culturally different	934,805	1,488	--	--	--	936,293
Educationally deprived	113,387	--	--	--	--	113,387
Other special education costs	239,705	--	--	--	--	239,705
Support Services:						
Students:						
Attendance and social work	--	--	150,601	--	--	150,601
Guidance	910,075	--	138,898	--	--	1,048,973
Health	--	--	178,436	--	--	178,436
Psychological	484,865	348	628,394	--	--	1,113,607
Speech pathology	--	--	1,073,111	--	--	1,073,111
Audiology	--	--	58,617	--	--	58,617
Student therapy services	--	--	381,591	--	--	381,591
Orientation and mobility services	--	--	20,646	--	--	20,646
Instructional Staff:						
Improvement of instruction	1,402,590	--	136,910	--	--	1,539,500
Educational media	1,157,359	269,683	192,380	--	--	1,619,422
General Administration:						
Board of education	176,406	--	--	--	--	176,406
Executive administration	244,762	--	--	--	--	244,762
School Administration:						
Office of the principal	1,756,800	--	--	--	--	1,756,800
Other	3,263	--	--	--	--	3,263
Business:						
Fiscal services	1,079,905	25,218	--	--	1,155,181	2,260,304
Facilities acquisition and construction	--	213,304	--	--	--	213,304
Operation and maintenance of plant	4,942,265	557,304	--	--	--	5,499,569
Student transportation	1,396,575	8,114	--	--	--	1,404,689
Internal Services	21,567	--	--	--	--	21,567
Special Education:						
Administrative costs	--	--	508,797	--	--	508,797
Transportation costs	--	--	51,001	--	--	51,001
Other special education costs	--	--	124,810	--	--	124,810
Central:						
Information	101,051	22,620	--	--	--	123,671
Staff	14,059	--	--	--	--	14,059
Other	110,237	--	--	--	--	110,237
Community Services:						
Nonpublic school	23,439	--	--	--	--	23,439
Nonprogrammed Charges:						
Early retirement payments	57,972	--	--	--	--	57,972
Debt Services	--	1,187,544	--	9,489,259	503,728	11,180,531
Cocurricular Activities:						
Male activities	269,423	--	--	--	--	269,423
Female activities	242,808	--	--	--	--	242,808
Combined activities	1,074,126	226,408	--	--	--	1,300,534
Capital Outlay	--	2,723,487	--	--	21,641,903	24,365,390
Total Expenditures	<u>42,419,413</u>	<u>8,299,954</u>	<u>9,852,298</u>	<u>9,489,259</u>	<u>23,300,812</u>	<u>93,361,736</u>
Excess of Revenue Over (Under) Expenditures	815,665	2,645,314	(628,496)	2,433,686	(23,286,778)	(18,020,609)
<b>Other Financing Sources (Uses):</b>						
General long-term debt issued	--	246,830	--	--	71,448,292	71,695,122
Payment to refunding debt escrow	--	--	--	(34,805,000)	(8,939,823)	(43,744,823)
Total Other Financing Sources (Uses)	<u>--</u>	<u>246,830</u>	<u>--</u>	<u>(34,805,000)</u>	<u>62,508,469</u>	<u>27,950,299</u>
Net Change in Fund Balances	815,665	2,892,144	(628,496)	(32,371,314)	39,221,691	9,929,690
<b>Fund Balance, Beginning of Year</b>	<u>6,949,229</u>	<u>7,964,673</u>	<u>2,724,343</u>	<u>46,655,054</u>	<u>1,916,085</u>	<u>66,209,384</u>
<b>Fund Balance, End of Year</b>	<u>\$ 7,764,894</u>	<u>\$ 10,856,817</u>	<u>\$ 2,095,847</u>	<u>\$ 14,283,740</u>	<u>\$ 41,137,776</u>	<u>\$ 76,139,074</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

## Harrisburg School District No. 41-2

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities June 30, 2022

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Net Change in Fund Balances - Total Governmental Funds	\$ 9,929,690
--	--------------

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

This amount represents capital assets purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.	24,365,390
--	------------

The amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financials because it does not require the use of current financial resources.	(4,794,927)
--	-------------

Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position

GO Bond	47,399,853	
Intangible Lease Liability	44,567	
CO Certificate	<u>940,000</u>	48,384,420

The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available."	(38,546)
--	----------

The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements.	(71,695,122)
--	--------------

Governmental funds do not reflect the change in early retirement liabilities but the Statement of Activities reflects the change in these accruals through expenses.	57,972
--	--------

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>3,545,498</u>
--	------------------

Change in net position of governmental activities	<u><u>\$ 9,754,375</u></u>
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**Harrisburg School District No. 41-2**  
Statement of Net Position – Proprietary Funds  
June 30, 2022

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	<b>Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>Other Enterprise Fund</b>	<b>Totals</b>
<b>Assets:</b>			
Current Assets:			
Cash and cash equivalents	\$ 2,326,212	\$ 41,059	\$ 2,367,271
Inventory - stores for resale	30,106	--	30,106
Inventory - supplies	19,333	--	19,333
Total Current Assets	<u>2,375,651</u>	<u>41,059</u>	<u>2,416,710</u>
Noncurrent Assets:			
Machinery and equipment - local funds	97,586	--	97,586
Less accumulated depreciation	<u>(78,534)</u>	<u>--</u>	<u>(78,534)</u>
Total Noncurrent Assets	<u>19,052</u>	<u>--</u>	<u>19,052</u>
Total Assets	<u>\$ 2,394,703</u>	<u>\$ 41,059</u>	<u>\$ 2,435,762</u>
<b>Liabilities:</b>			
Current Liabilities:			
Accounts Payable	\$ 1,547	\$ --	\$ 1,547
Contracts payable	59,039	2,880	61,919
Accrued payroll expenses	44,071	220	44,291
Unearned revenue	<u>324,395</u>	<u>--</u>	<u>324,395</u>
Total Current Liabilities	<u>429,052</u>	<u>3,100</u>	<u>432,152</u>
<b>Net Position:</b>			
Net investment in capital assets	19,052	--	19,052
Unrestricted net position	<u>1,946,599</u>	<u>37,959</u>	<u>1,984,558</u>
Total Net Position	<u>\$ 1,965,651</u>	<u>\$ 37,959</u>	<u>\$ 2,003,610</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

## Harrisburg School District No. 41-2

### Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds June 30, 2022

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
<b>Operating Revenue:</b>			
Food Sales:			
Student	\$ 492	\$ --	\$ 492
Adult	41,524	--	41,524
A la carte	484,232	--	484,232
Other	--	94,875	94,875
Total Operating Revenue	<u>526,248</u>	<u>94,875</u>	<u>621,123</u>
<b>Operating Expenses:</b>			
Salaries	1,223,745	68,648	1,292,393
Employee benefits	290,699	6,007	296,706
Purchased services	30,770	--	30,770
Supplies	134,515	18	134,533
Cost of sales - purchased	1,751,099	--	1,751,099
Cost of sales - donated	205,182	--	205,182
Other	17,966	456	18,422
Depreciation	10,606	--	10,606
Total Operating Expenses	<u>3,664,582</u>	<u>75,129</u>	<u>3,739,711</u>
Operating Income(Loss)	<u>(3,138,334)</u>	<u>19,746</u>	<u>(3,118,588)</u>
<b>Nonoperating Revenues/Expenses:</b>			
State grants	9,282	--	9,282
Federal grants	3,934,207	--	3,934,207
Donated food	205,182	--	205,182
Total Nonoperating Revenue/ (Expenses)	<u>4,148,671</u>	<u>--</u>	<u>4,148,671</u>
Change in Net Position	1,010,337	19,746	1,030,083
<b>Net Position - Beginning of Year</b>	<u>955,314</u>	<u>18,213</u>	<u>973,527</u>
<b>Net Position - End of Year</b>	<u>\$ 1,965,651</u>	<u>\$ 37,959</u>	<u>\$ 2,003,610</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**Harrisburg School District No. 41-2**  
Statement of Cash Flows – Proprietary Funds  
June 30, 2022

	<b>Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>Other Enterprise Fund</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities</b>			
Cash receipts from customers	\$ 613,145	\$ 94,875	\$ 708,020
Cash payments to suppliers	(1,932,274)	(474)	(1,932,748)
Cash payments to employees	(1,496,974)	(72,761)	(1,569,735)
Net Cash Provided (Used) by Operating Activities	(2,816,103)	21,640	(2,794,463)
<b>Cash Flows from Noncapital Financing Activities:</b>			
Cash reimbursements - state	9,282	--	9,282
Cash reimbursements - federal	3,934,207	--	3,934,207
Net Cash Provided by Noncapital Financing Activities	3,943,489	--	3,943,489
<b>Net Change in Cash and Cash Equivalents</b>	1,127,386	21,640	1,149,026
<b>Cash and Cash Equivalents, Beginning of Year</b>	1,198,826	19,419	1,218,245
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 2,326,212</u>	<u>\$ 41,059</u>	<u>\$ 2,367,271</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ (3,138,334)	\$ 19,746	\$ (3,118,588)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	10,606	--	10,606
Value of commodities used	205,182	--	205,182
Change in Assets and Liabilities:			
Inventory	585	--	585
Deferred revenue	86,897	--	86,897
Contracts payable	12,077	1,760	13,837
Accrued payroll expenses	5,393	134	5,527
Accounts payable	1,491	--	1,491
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,816,103)</u>	<u>\$ 21,640</u>	<u>\$ (2,794,463)</u>
<b>Noncash Investing, Capital and Financing Activities</b>			
Value of commodities received	<u>\$ 205,182</u>	<u>\$ --</u>	<u>\$ 205,182</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**Harrisburg School District No. 41-2**  
Statement of Net Position – Fiduciary Funds  
June 30, 2022

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	<b>Private-Purpose Trust Funds</b>	<b>Custodial Funds</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 14,771	\$ 372,690
Accounts receivable	<u>          --</u>	<u>88,082</u>
 Total Assets	 <u><u>\$ 14,771</u></u>	 <u><u>\$ 460,772</u></u>
 <b>Net Position:</b>		
Restricted for:		
Scholarships	\$ 14,771	\$ --
Individuals, organizations, and other governments	<u>          --</u>	<u>460,772</u>
 Total Net Position	 <u><u>\$ 14,771</u></u>	 <u><u>\$ 460,772</u></u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**Harrisburg School District No. 41-2**  
Statement of Changes in Net Position – Fiduciary Funds  
June 30, 2022

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	<b>Private-Purpose Trust Funds</b>	<b>Custodial Funds</b>
<b>Additions:</b>		
Interest	\$ 7	\$ --
Collections for student activities	--	986,966
	<u>7</u>	<u>986,966</u>
Total Additions	<u>7</u>	<u>986,966</u>
<b>Deductions:</b>		
Scholarship awards	997	--
Payments for student activities	--	956,941
	<u>997</u>	<u>956,941</u>
Total Deductions	<u>997</u>	<u>956,941</u>
Change in Net Position	<u>(990)</u>	<u>30,025</u>
<b>Net Position - Beginning</b>	<u>15,761</u>	<u>430,747</u>
<b>Net Position - Ending</b>	<u><u>\$ 14,771</u></u>	<u><u>\$ 460,772</u></u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

## **Harrisburg School District No. 41-2**

### **Notes to the Financial Statements**

June 30, 2022

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#### **1. Summary of Significant Accounting Policies:**

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

##### **a. Financial Reporting Entity:**

The reporting entity of 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 financially 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. Government-Wide and Fund Financial Statements:**

###### **Government-Wide Financial Statements:**

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

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

## **Harrisburg School District No. 41-2**

### **Notes to the Financial Statements**

June 30, 2022

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#### **1. Summary of Significant Accounting Policies: (Continued)**

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 the capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

## **Harrisburg School District No. 41-2**

### **Notes to the Financial Statements**

June 30, 2022

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#### **1. Summary of Significant Accounting Policies: (Continued)**

Special Revenue Fund Types – 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 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 Funds: A fund established by SDCL 13-16-13 to account for the proceeds on a special property tax restricted to use for the payment of principal and interest of 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 Funds – Capital Projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

The MS#3/Fresh Academy Fund and 18-19 Projects are the only capital projects funds 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 and services. Activities are required to be reported as enterprise funds if any one of the following criteria is met:

1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.)
2. 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.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

## Harrisburg School District No. 41-2

### Notes to the Financial Statements

June 30, 2022

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#### 1. Summary of Significant Accounting Policies: (Continued)

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.

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. This 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 – Trust funds are used to account for 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 Fund Types – 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 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.

## Harrisburg School District No. 41-2

### Notes to the Financial Statements

June 30, 2022

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#### 1. Summary of Significant Accounting Policies: (Continued)

##### 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 funds.

##### 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 funds 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 which are accrued at June 30, 2022 are due from other governments for grants and miscellaneous revenues

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

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

All proprietary 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:

## Harrisburg School District No. 41-2

### Notes to the Financial Statements

June 30, 2022

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#### 1. Summary of Significant Accounting Policies: (Continued)

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 Financial Statements:**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at the 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.

## Harrisburg School District No. 41-2

### Notes to the Financial Statements

June 30, 2022

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#### 1. Summary of Significant Accounting Policies: (Continued)

The total June 30, 2022 balance of capital assets for governmental activities includes approximately less than .1% for which the costs were determined by estimates of the original costs. The total June 30, 2022 balance of capital assets for business-type activities are valued at original cost.

Depreciation/amortization 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/amortization methods and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<b>Capitalization Threshold</b>	<b>Depreciation/ Amortization Method</b>	<b>Estimated Useful Life</b>
Land*	\$ 100	NA	NA
Buildings	\$ 50,000	Straight-line	33-75 years
Building improvements	\$ 25,000	Straight-line	5-50 years
Improvements other than building	\$ 15,000	Straight-line	5-50 years
Intangible lease assets	\$ 50,000	Straight-line	2-75 years
Equipment (governmental)	\$ 5,000	Straight-line	5-20 years
Equipment (proprietary funds)	\$ 5,000	Straight-line	2-12 years

\*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 consist of bonds payable, capital outlay certificates payable, lease payables, and early retirement benefits payable.

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

## Harrisburg School District No. 41-2

### Notes to the Financial Statements

June 30, 2022

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#### 1. Summary of Significant Accounting Policies: (Continued)

##### h. Deferred Outflows/Inflows 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.

##### i. 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 nonexchange 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 nonexchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

##### j. Proprietary Funds Revenue and Expense Classifications:

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

## Harrisburg School District No. 41-2

### Notes to the Financial Statements

June 30, 2022

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#### 1. Summary of Significant Accounting Policies: (Continued)

##### k. Cash and Cash Equivalents:

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

##### l. Equity Classifications:

###### **Government-Wide Financial Statements:**

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

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

###### **Fund Financial Statements:**

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

##### m. Application of Net Position:

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

##### n. Fund 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.

## Harrisburg School District No. 41-2

### Notes to the Financial Statements

June 30, 2022

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#### 1. Summary of Significant Accounting Policies: (Continued)

- 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 nor 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 Government does not have a formal minimum fund balance policy.

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund-----	Taxes
Special Education Fund-----	Taxes

#### o. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### p. 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.

## Harrisburg School District No. 41-2

### Notes to the Financial Statements

June 30, 2022

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#### 1. Summary of Significant Accounting Policies: (Continued)

q. Leases:

The School District is a lessee for a noncancellable lease of copiers. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$50,000 or more.

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

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

- The School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School District is reasonably certain to exercise.

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

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

## Harrisburg School District No. 41-2

### Notes to the Financial Statements

June 30, 2022

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#### **2. 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, 2022, 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, 2022.

**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.

## **Harrisburg School District No. 41-2**

### **Notes to the Financial Statements**

June 30, 2022

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#### **3. Inventory:**

Inventory is valued at the lower of cost or market. The cost valuation method is actual cost. 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, Food Service Fund 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 in the General Fund and Special Revenue Funds 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.

#### **4. Property Tax:**

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

#### **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.

**Harrisburg School District No. 41-2**

## Notes to the Financial Statements

June 30, 2022

**6. Changes in Capital Assets:**

A summary of changes in capital assets for the fiscal year ended June 30, 2022 is as follows:

	6/30/2021 Balance	Increases	Decreases	6/30/2022 Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated/amortized:				
Land	\$ 9,188,315	\$ 1,112,869	\$ --	\$ 10,301,184
Construction in progress	500,235	21,610,377	547,040	21,563,572
Total capital assets not being depreciated/amortized	9,688,550	22,723,246	547,040	31,864,756
Capital assets being depreciated/amortized:				
Buildings	160,094,191	334,694	--	160,428,885
Improvements	7,184,924	749,191	--	7,934,115
Machinery & equipment	6,867,789	720,292	--	7,588,081
Intangible lease assets	--	246,830	--	246,830
Library books	1,111,256	138,177	--	1,249,433
Total capital assets being depreciated/amortized	175,258,160	2,189,184	--	177,447,344
Less accumulated depreciation/amortization for:				
Buildings	28,766,557	3,624,687	--	32,391,244
Improvements	1,247,217	343,754	--	1,590,971
Machinery & equipment	3,772,376	683,342	--	4,455,718
Intangible lease assets	--	49,366	--	49,366
Library books	728,444	93,778	--	822,222
Total accumulated depreciation/amortization	34,514,594	4,794,927	--	39,309,521
Total capital assets being depreciated/amortized, net	140,743,566	(2,605,743)	--	138,137,823
Net Capital Assets	\$ 150,432,116	\$ 20,117,503	\$ 547,040	\$ 170,002,579

Depreciation/amortization expense was charged to functions as follows:

Instruction	\$ 3,596,195
Support services	1,102,833
Co-curricular activities	95,899
Total Depreciation/Amortization Expense	<u>\$ 4,794,927</u>

## Harrisburg School District No. 41-2

### Notes to the Financial Statements

June 30, 2022

#### 6. Changes in Capital Assets: (Continued)

	Balance 6/30/21	Increases	Decreases	Balance 6/30/2022
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Equipment	\$ 97,586	\$ --	\$ --	\$ 97,586
Less accumulated depreciation for:				
Less: Accumulated Depreciation	67,928	10,606	--	78,534
Total capital assets being depreciated, net	<u>\$ 29,658</u>	<u>\$ (10,606)</u>	<u>\$ --</u>	<u>\$ 19,052</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	<u>\$ 10,606</u>

Construction Work in Progress at June 30, 2022 is composed of the following:

Project Name	Project Authorization	Through 6/30/2022	Committed	Required Future Financing
Projector PAC	\$ 44,504	\$ 33,378	\$ 11,126	\$ --
East Middle School Project	30,133,104	10,875,392	19,257,712	--
Freshman Academy	37,744,999	9,625,818	28,119,181	--
Tomar Road	2,927,478	932,435	1,995,043	--
NMS Chiller	127,242	96,549	30,693	--
Total Work in Progress	<u>\$ 70,977,327</u>	<u>\$ 21,563,572</u>	<u>\$ 49,413,755</u>	<u>\$ --</u>

**Harrisburg School District No. 41-2**

## Notes to the Financial Statements

June 30, 2022

**7. Long-Term Liabilities:**

A summary of the changes in long-term liabilities for the year ended June 30, 2022 is as follows:

	<u>6/30/2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2022</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Bonds Payable:					
General Obligation Bonds	\$ 166,620,000	\$ 65,170,000	\$ 46,795,000	\$184,995,000	\$ 5,620,000
Plus: Unamortized Premiums	9,901,618	6,278,292	604,853	15,575,057	935,290
Capital Outlay Certificates	<u>8,970,000</u>	<u>--</u>	<u>940,000</u>	<u>8,030,000</u>	<u>975,000</u>
	185,491,618	71,448,292	48,339,853	208,600,057	7,530,290
Other Liabilities:					
Early Retirement Payable	133,574	--	57,972	75,602	47,277
Intangible lease liability	<u>--</u>	<u>246,830</u>	<u>44,567</u>	<u>202,263</u>	<u>46,846</u>
Total Long-Term Liabilities	<u>\$ 185,625,192</u>	<u>\$ 71,695,122</u>	<u>\$ 48,442,392</u>	<u>\$208,877,922</u>	<u>\$ 7,624,413</u>

Early retirement benefits payable for governmental activities typically have been liquidated from the General Fund.

## Harrisburg School District No. 41-2

### Notes to the Financial Statements

June 30, 2022

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#### 7. Long-Term Liabilities: (Continued)

Debt payable at June 30, 2022, not including premiums, is comprised of the following:

Harrisburg School District No 41-2 General Obligation Bonds, Series 2019	During March 2019, the School District entered into an agreement to receive General Obligation Bonds in the amount of \$36,660,000. There is a varying interest rate of 3.75% to 5% assessed on these bonds beginning in 2020. Final payment is August 2043. The Bond Redemption Fund #31 makes payment on this debt.	\$ 35,770,000
Harrisburg School District No 41-2 General Obligation Bonds, Series 2017	During August 2017, the School District entered into an agreement to receive General Obligation Bonds in the amount of \$15,000,000. There is a varying interest rate from 2.375 to 5% assessed on these bonds. Final payment is August 2031. The Bond Redemption Fund #35 makes payment on this debt.	\$ 11,365,000
Harrisburg School District No 41-2 General Obligation Bonds, Series 2013	During January 2013, the School District entered into an agreement to receive General Obligation Bonds in the amount of \$8,060,000. There is a varying interest rate of .65 to 2% assessed on these bonds. Final payment is July, 2023. The Bond Redemption Fund #35 makes payment on this debt.	\$ 2,110,000
Harrisburg School District No 41-2 General Obligation Bonds, Series 2021	During September, 2021, the School District entered into an agreement to receive General Obligation Bonds in the amount of \$65,170,000. There is a varying interest rate from 2 to 5% assessed on these bonds. Final payment is August 2041. The Bond Redemption Fund #35 makes payment on this debt.	\$ 64,930,000
Harrisburg School District No 41-2 General Obligation Bonds, Series 2017B	During July, 2018, the School District entered into an agreement to receive General Obligation Bonds in the amount of \$6,320,000. There is a varying interest rate of 3 to 5% assessed on these bonds. Final payment is January 2033. The Bond Redemption Fund #37 makes payment on this debt.	\$ 6,320,000
Harrisburg School District No 41-2 General Obligation Bonds, Series 2017C	During July, 2018, the School District entered into an agreement to receive General Obligation Bonds in the amount of \$47,670,000. There is a varying interest rate of 3 to 5% assessed on these bonds. Final payment is July 2039. The Bond Redemption Fund #39 makes payment on this debt.	\$ 47,250,000

## Harrisburg School District No. 41-2

### Notes to the Financial Statements

June 30, 2022

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#### 7. Long-Term Liabilities: (Continued)

Harrisburg School District No 41-2 General Obligation Bonds, Series 2019B	During February, 2020 the School District entered into an agreement to receive General Obligation Bonds in the amount of \$11,850,000. There is an interest rate of 4% assessed on these bonds. Final payment is August 2036. The Bond Redemption Fund #33 makes payment on this debt.	\$ 11,850,000
Harrisburg School District No 41-2 General Obligation Bonds, Series 2019C	During February, 2020 the School District entered into an agreement to receive General Obligation Bonds in the amount of \$5,500,000. There is a varying interest rate of 3 to 4% assessed on these bonds. Final payment is August 2029. The Bond Redemption Fund #39 makes payment on this debt.	\$ 5,400,000
Harrisburg School District No 41-2 Capital Outlay Certificates, Series 2016	During September 2016, the School District entered into an agreement to receive Capital Outlay Certificates in the amount of \$1,365,000. There is a varying interest rate from 1.65 to 2% assessed on these bonds. Final payment is September 2026. The Capital Outlay Fund makes payment on this debt.	\$ 660,000
Harrisburg School District No 41-2 Capital Outlay Certificates, Series 2016B	During September 2016, the School District entered into an agreement to receive Capital Outlay Certificates in the amount of \$2,955,000. There is a varying interest rate from 2 to 3% assessed on these bonds. Final payment is August 2031. The Capital Outlay Fund makes payment on this debt.	\$ 2,080,000
Harrisburg School District No 41-2 Capital Outlay Certificates, Series 2016B	During February 2018, the School District entered into an agreement to receive Capital Outlay Certificates in the amount of \$7,680,000. There is a varying interest rate from 2 to 2.75% assessed on these bonds. Final payment is August 2028. The Capital Outlay Fund makes payment on this debt.	\$ 5,290,000
Harrisburg School District No 41-2 Intangible Lease	During July 2021, the School District entered into an agreement to receive lease copiers in the amount of \$246,830. There is an imputed interest rate from 5% assessed on this lease. Final payment is June 2026. The Capital Outlay Fund makes payment on this debt.	\$ 202,263
Early Retirement Payable		
Payable from the fund to which payroll expenditures are charged		\$ 75,602

**Harrisburg School District No. 41-2**

## Notes to the Financial Statements

June 30, 2022

**7. Long-Term Liabilities: (Continued)**

The annual requirements to amortize the General Obligation Bonds, Capital Outlay Certificates, and Leases outstanding at June 30, 2022, are as follows:

Year Ending June 30,	General Obligation Bonds		Capital Outlay Certificates		Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 5,620,000	\$ 6,962,562	\$ 975,000	\$ 180,292	\$ 46,846	\$ 9,050
2024	5,340,000	6,718,682	1,010,000	158,144	49,244	6,106
2025	6,445,000	6,457,006	1,050,000	134,556	51,763	4,133
2026	7,105,000	6,129,223	1,085,000	108,931	54,410	1,487
2027	7,820,000	5,761,169	1,140,000	80,781	--	--
2028-2032	48,740,000	22,929,772	2,770,000	100,556	--	--
2033-2037	63,435,000	13,274,910	--	--	--	--
2038-2042	35,485,000	3,774,017	--	--	--	--
2043-2047	5,005,000	189,468	--	--	--	--
Totals	<u>\$ 184,995,000</u>	<u>\$ 72,196,809</u>	<u>\$ 8,030,000</u>	<u>\$ 763,260</u>	<u>\$ 202,263</u>	<u>\$ 20,776</u>

Year Ending June 30,	Premium on Bonds		Totals	
	Principal	Interest	Principal	Interest
2023	\$ 935,290	\$ --	\$ 7,577,136	\$ 7,151,904
2024	935,290	--	7,334,534	6,882,932
2025	935,290	--	8,482,053	6,595,695
2026	935,290	--	9,179,700	6,239,641
2027	935,290	--	9,895,290	5,841,950
2028-2032	4,409,185	--	55,919,185	23,030,328
2033-2037	3,581,356	--	67,016,356	13,274,910
2038-2042	2,651,277	--	38,136,277	3,774,017
2043-2047	256,789	--	5,261,789	189,468
Totals	<u>\$ 15,575,057</u>	<u>\$ --</u>	<u>\$ 208,802,320</u>	<u>\$ 72,980,845</u>

**Harrisburg School District No. 41-2**

## Notes to the Financial Statements

June 30, 2022

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**7. Long-Term Liabilities: (Continued)**

During fiscal year 2022, the School District issued \$65,170,000 in GO Bonds with an average interest rate of 1.3-2.05% to refund the following:

<u>Year Issued</u>	<u>Project</u>	<u>Average Interest Rate</u>	<u>Unpaid Principal at time of Refunding</u>
2016	General Obligation Bonds	2-3.95%	7,975,000

The School District refunded the debt to reduce its total debt service payments over the next 5 years by \$405,563 and to obtain an economic gain \$332,260. The entire proceeds of the refunding issue in the amount of \$8,939,823 were deposited into an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded issue. As a result, the refunded issue is considered to be defeased and the liability for this issue has been removed from the financial statements of the School District.

**8. Restricted Net Position:**

Restricted Net Position for the year ended June 30, 2022 was as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
Capital Outlay	Law	\$ 10,877,549
Special Education	Law	2,107,910
Debt Service	Debt Covenant	14,309,393
SDRS Pension Purposes	Law	4,961,425
Total		<u>\$ 32,256,277</u>

**9. Pension Plan:****a. Plan Information:**

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

## Harrisburg School District No. 41-2

### Notes to the Financial Statements

June 30, 2022

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#### 9. Pension Plan: (Continued)

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

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

## Harrisburg School District No. 41-2

### Notes to the Financial Statements

June 30, 2022

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#### 9. Pension Plan: (Continued)

##### c. Contributions:

Per SDCL 3-12, contribution requirements of the active employees and participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the years ended June 30, 2022, 2021 and 2020, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 2,235,885
2021	2,097,482
2020	1,838,882

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

At June 30, 2021, SDRS is 105.52% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of the measurement period ending June 30, 2021 and reported by the School District as of June 30, 2022 are as follows:

Proportionate share of pension liability	\$ 213,882,382
Less proportionate share of net pension restricted for pension benefits	<u>225,694,940</u>
Proportionate share of net pension (asset)	<u>\$ (11,812,558)</u>

At June 30, 2022, the School reported an (asset) of (\$11,812,558) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2021 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the School District's proportion was 1.54245400%, which is an increase of .1459972% from its proportion measured as of June 30, 2020.

**Harrisburg School District No. 41-2**

## Notes to the Financial Statements

June 30, 2022

**9. Pension Plan: (Continued)**

For the year ended June 30, 2022, the School District recognized a reduction of pension expense of (\$3,545,499). At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 424,102	\$ 30,970
Changes in assumption	13,584,321	5,915,558
Net difference between projected and actual earnings on pension plan investments	--	16,874,475
Changes in proportion and difference between district contributions and proportionate share of contributions	3,442	277,880
District contributions subsequent to the measurement date	<u>2,235,885</u>	<u>--</u>
Total	<u><u>\$ 16,247,750</u></u>	<u><u>\$ 23,098,883</u></u>

\$2,235,885 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. 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:

<b>Year Ended June 30,</b>	
2023	\$ (2,357,674)
2024	(1,556,276)
2025	(426,196)
2026	<u>(4,746,872)</u>
Total	<u><u>\$ (9,087,018)</u></u>

## Harrisburg School District No. 41-2

### Notes to the Financial Statements

June 30, 2022

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#### 9. Pension Plan: (Continued)

##### e. Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.25% and real returns of 4.25%
Future COLAs	2.25%

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

The actuarial assumptions used in the June 30, 2021 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, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	58.0%	4.3%
Fixed income	30.0%	1.6%
Real estate	10.0%	4.6%
Cash	2.0%	0.9%
Total	<u>100.0%</u>	

## Harrisburg School District No. 41-2

### Notes to the Financial Statements

June 30, 2022

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#### 9. Pension Plan: (Continued)

f. Discount Rate:

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

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

The following presents the School District's proportionate share of net pension (asset) calculated using the discount rate of 6.50%, as well as what the School's proportionate share of the net pension (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>
District's proportionate share of the net pension liability (asset)	<u>\$ 19,127,470</u>	<u>\$ (11,812,558)</u>	<u>\$ (36,928,658)</u>

h. Pension Plan Fiduciary Net Position:

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

i. Payables to the Pension Plan:

No payables were reported to the defined benefit plan at end of year.

#### 10. 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, 2022, 6 employees participated in the program and the benefits paid out totaled \$57,972.

## **Harrisburg School District No. 41-2**

### **Notes to the Financial Statements**

June 30, 2022

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#### **11. Risk Management:**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2022, 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.

##### **Workers' Compensation:**

The School District purchases liability insurance for worker's compensation from a commercial carrier. The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

##### **Unemployment Benefits:**

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

During the year ended June 30, 2022, no claims for unemployment were paid.

#### **12. Implementation of New Standards:**

As of June 30, 2022, the School District implemented GASB Statement No. 87, Leases, which requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. There was no effect on the beginning net position as a result of implementation of the standard.

**Harrisburg School District No. 41-2**  
Notes to the Financial Statements  
June 30, 2022

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**13. Subsequent Events:**

Subsequent events have been evaluated through the date of the independent auditor's report which is the date the financial statements were available to be issued.

## **Required Supplementary Information**

## Harrisburg School District No. 41-2

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis  
June 30, 2022

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 16,140,000	\$ 16,140,000	\$ 16,493,614	\$ 353,614
Prior years' ad valorem taxes	175,000	175,000	149,183	(25,817)
Utility taxes	250,000	250,000	269,404	19,404
Penalties and interest on taxes	25,000	25,000	24,200	(800)
Earnings on Investments and Deposits	8,000	8,000	5,631	(2,369)
Cocurricular Activities:				
Admissions	70,000	70,000	85,409	15,409
Rentals	4,000	4,000	5,540	1,540
Other student activity income	5,000	5,000	17,539	12,539
Other Revenue from Local Sources:				
Rentals	85,000	85,000	90,769	5,769
Contributions and donations	20,000	20,000	16,449	(3,551)
Charges for services	152,000	152,000	141,482	(10,518)
Other	892,800	892,800	1,061,427	168,627
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	155,000	155,000	167,775	12,775
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	22,725,000	22,725,000	22,508,563	(216,437)
Restricted grants-in-aid	55,000	55,000	69,506	14,506
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	2,225,322	2,225,322	2,128,587	(96,735)
<b>Total Revenues</b>	<b>\$ 42,987,122</b>	<b>\$ 42,987,122</b>	<b>\$ 43,235,078</b>	<b>\$ 247,956</b>

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

## Harrisburg School District No. 41-2

### Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis June 30, 2022 (Continued)

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Expenditures</b>				
Instructional Services:				
Regular programs:				
Elementary	\$ 12,137,189	\$ 12,137,189	\$ 11,945,853	\$ 191,336
Middle/junior high	6,721,832	6,721,832	6,578,805	143,027
High school	6,586,667	6,586,667	6,346,015	240,652
Special programs:				
Gifted and talented	798,057	798,057	791,296	6,761
Culturally different	979,229	979,229	934,805	44,424
Educationally deprived	129,710	129,710	113,387	16,323
Other special programs	232,158	240,158	239,705	453
Support Services:				
Students:				
Guidance	1,067,738	1,067,738	910,075	157,663
Health	612,974	612,974	484,865	128,109
Instructional Staff:				
Improvement of instruction	1,761,894	1,761,894	1,402,590	359,304
Educational media	1,403,793	1,403,793	1,157,359	246,434
General Administration:				
Board of education	225,043	225,043	176,406	48,637
Executive administration	242,962	244,962	244,762	200
School Administration:				
Office of the principal	1,785,596	1,785,596	1,756,800	28,796
Other	3,500	3,500	3,263	237
Business:				
Fiscal services	1,142,744	1,142,744	1,079,905	62,839
Operation and maintenance of plant	4,689,567	5,320,567	4,942,265	378,302
Student transportation	1,444,628	1,444,628	1,396,575	48,053
Internal services	--	25,000	21,567	3,433
Central:				
Information	102,994	102,994	101,051	1,943
Staff	17,935	17,935	14,059	3,876
Other	108,995	110,495	110,237	258
Community Services:				
Nonpublic school	24,764	24,764	23,439	1,325
Nonprogrammed Charges:				
Payments to state - unemployment	15,000	15,000	--	15,000
Early retirement payments	58,131	58,131	57,972	159
Cocurricular Activities:				
Male activities	273,648	282,648	269,423	13,225
Female activities	268,247	271,247	242,808	28,439
Combined activities	1,092,017	1,150,518	1,074,126	76,392
Contingency	100,000	--	--	--
Total Expenditures	<u>44,027,012</u>	<u>44,665,013</u>	<u>42,419,413</u>	<u>2,245,600</u>
Excess of Revenues Over				
(Under) Expenditures	<u>(1,039,890)</u>	<u>(1,677,891)</u>	<u>815,665</u>	<u>2,493,556</u>
<b>Other Financing Sources:</b>				
Operating transfers in	<u>867,470</u>	<u>867,470</u>	<u>--</u>	<u>(867,470)</u>
Net Change in Fund Balances	<u>(172,420)</u>	<u>(810,421)</u>	<u>815,665</u>	<u>1,626,086</u>
<b>Fund Balance, Beginning of Year</b>	<u>6,949,229</u>	<u>6,949,229</u>	<u>6,949,229</u>	<u>--</u>
<b>Fund Balance, End of Year</b>	<u>\$ 6,776,809</u>	<u>\$ 6,138,808</u>	<u>\$ 7,764,894</u>	<u>\$ 1,626,086</u>

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

## Harrisburg School District No. 41-2

### Required Supplementary Information – Budgetary Comparison Schedule – Capital Outlay Fund – Budgetary Basis June 30, 2022

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 8,820,000	\$ 8,820,000	\$ 9,017,709	\$ 197,709
Prior years' ad valorem taxes	50,000	50,000	71,567	21,567
Penalties and interest on taxes	10,000	10,000	8,451	(1,549)
Other Revenue from Local Sources:				
Contributions and donations	114,000	114,000	200,000	86,000
Other	315,000	315,000	1,134,711	819,711
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	65,000	65,000	512,830	447,830
Total Revenues	9,374,000	9,374,000	10,945,268	1,571,268
<b>Expenditures</b>				
Instructional Services:				
Regular programs:				
Elementary	1,026,510	1,081,510	980,083	101,427
Middle/junior high	1,056,890	1,056,890	920,073	136,817
High school	1,267,395	1,292,395	1,536,047	(243,652)
Special programs:				
Gifted and talented	114,750	114,750	12,371	102,379
Programs for special education	151,040	151,040	--	151,040
Culturally different	10,800	10,800	1,488	9,312
Support Services:				
Students:				
Health	3,375	3,375	348	3,027
Instructional Staff:				
Educational media	449,755	449,755	407,860	41,895
Business:				
Fiscal Services	19,400	25,400	25,218	182
Facilities acquisition and construction	1,658,225	2,128,225	1,777,830	350,395
Operation and maintenance of plant	768,095	793,095	681,003	112,092
Student transportation	516,400	600,400	496,980	103,420
Central:				
Information	21,266	22,766	22,620	146
Debt Services	1,178,734	1,187,734	1,187,544	190
Cocurricular Activities:				
Combined Activities	269,895	270,895	250,489	20,406
Total Expenditures	8,512,530	9,189,030	8,299,954	889,076
Excess of Revenue Over (Under)				
Expenditures	861,470	184,970	2,645,314	2,460,344
<b>Other Financing Sources (Uses):</b>				
Transfers out	(867,470)	(867,470)	--	867,470
Proceeds of general long-term liabilities	--	--	246,830	246,830
Total Other Financing Sources (Uses)	(867,470)	(867,470)	246,830	1,114,300
Net Change in Fund Balances	(6,000)	(682,500)	2,892,144	3,574,644
<b>Fund Balance, Beginning of Year</b>	7,964,673	7,964,673	7,964,673	--
<b>Fund Balance, End of Year</b>	\$ 7,958,673	\$ 7,282,173	\$ 10,856,817	\$ 3,574,644

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

**Harrisburg School District No. 41-2**  
Required Supplementary Information – Budgetary Comparison  
Schedule – Special Education Fund – Budgetary Basis  
June 30, 2022

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 4,768,298	\$ 4,768,298	\$ 5,608,680	\$ 840,382
Prior years' ad valorem taxes	45,000	45,000	43,959	(1,041)
Penalties and interest on taxes	6,000	6,000	5,158	(842)
Tuition and Fees:				
Regular day school tuition	67,000	67,000	--	(67,000)
Other Revenue from Local Sources:				
Charges for services	41,000	41,000	40,572	(428)
Other	--	--	1,221	1,221
Revenue from State Sources:				
Grants-in-Aid:				
Restricted grants-in-aid	3,010,000	3,010,000	2,452,324	(557,676)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	1,642,577	1,642,577	1,071,888	(570,689)
Total Revenues	<u>9,579,875</u>	<u>9,579,875</u>	<u>9,223,802</u>	<u>(356,073)</u>
<b>Expenditures</b>				
Instructional Services:				
Special programs:				
Programs for Special Education	6,585,576	6,592,576	6,208,106	384,470
Support Services:				
Students:				
Attendance and social work	152,204	152,204	150,601	1,603
Guidance	--	140,000	138,898	1,102
Health	66,877	186,877	178,436	8,441
Psychological	638,054	638,054	628,394	9,660
Speech pathology	1,135,152	1,148,652	1,073,111	75,541
Audiology	35,000	65,000	58,617	6,383
Student therapy services	386,084	403,084	381,591	21,493
Orientation and mobility services	31,150	31,150	20,646	10,504
Instructional staff:				
Improvement of instruction	--	160,000	136,910	23,090
Educational media	--	192,500	192,380	120
Special Education:				
Administrative costs	414,489	509,189	508,797	392
Transportation costs	100,239	122,239	51,001	71,238
Other special education costs	35,050	140,000	124,810	15,190
Cocurricular activities:				
Combined activities	--	43,000	--	43,000
Total Expenditures	<u>9,579,875</u>	<u>10,524,525</u>	<u>9,852,298</u>	<u>672,227</u>
Net Change in Fund Balance	--	(944,650)	(628,496)	316,154
<b>Fund Balance, Beginning of Year</b>	<u>2,724,343</u>	<u>2,724,343</u>	<u>2,724,343</u>	<u>--</u>
<b>Fund Balance, End of Year</b>	<u>\$ 2,724,343</u>	<u>\$ 1,779,693</u>	<u>\$ 2,095,847</u>	<u>\$ 316,154</u>

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

## **Harrisburg School District No. 41-2**

### **Notes to the Required Supplementary Information – Budgetary Comparison Schedules June 30, 2022**

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#### **1. Basis of Presentation:**

The Budgetary Comparison Schedules have been prepared on the modified accrual basis of accounting. The Budgetary Comparison Schedules present capital outlay expenditures within each function while the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds present Capital outlay expenditures as a separate function.

#### **2. Budgets and Budgetary Accounting:**

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

- a. Prior to the first regular board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
- c. The proposed budget is published for public review no later than July 15 each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
- f. 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 Item (h).
- g. 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.
- h. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
- i. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
- j. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- k. Generally accepted accounting principles prescribe that budgetary information be presented for the General Fund and major special revenue funds of the District.

**Harrisburg School District No. 41-2**

Schedule of the Proportionate Share of the Net Pension Liability (Asset) South Dakota Retirement System

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	1.5424540%	1.3964568%	1.3126280%	1.2374474%	1.1095202%	1.0211688%	0.9705906%	0.9072685%
District's proportionate share of net pension liability (asset)	\$ (11,812,558)	\$ (60,648)	\$ (139,103)	\$ (28,860)	\$ (100,690)	\$ 3,449,407	\$ (4,116,552)	\$ (6,536,499)
District's covered-employee payroll	\$ 34,957,713	\$ 30,648,646	\$ 27,908,863	\$ 25,722,932	\$ 22,543,166	\$ 19,389,931	\$ 17,674,477	\$ 15,837,432
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.79%	0.20%	0.50%	0.11%	0.45%	17.79%	23.29%	41.27%
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the School District will present information for those years which information is available.

Note: The information disclosed for each fiscal year is reported as the measurement date of the collective net pension liability (asset) which is June 30 of the preceding year.

**Harrisburg School District No. 41-2**  
Schedule of the School District Contributions South Dakota Retirement System

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 2,235,885	\$ 2,097,482	\$ 1,838,882	\$ 1,674,550	\$ 1,543,446	\$ 1,352,575	\$ 1,166,765	\$ 1,063,251	\$ 951,941
Contributions in relation to the contractually-required contribution	<u>2,235,885</u>	<u>2,097,482</u>	<u>1,838,882</u>	<u>1,674,550</u>	<u>1,543,446</u>	<u>1,352,575</u>	<u>1,166,765</u>	<u>1,063,251</u>	<u>951,941</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 37,264,179	\$ 34,957,713	\$ 30,648,646	\$ 27,908,863	\$ 25,722,932	\$ 22,543,166	\$ 19,389,931	\$ 17,674,477	\$ 15,837,432
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the School District will present information for those years which information is available.

## **Harrisburg School District No. 41-2**

### **Notes to Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions For the Year Ended June 30, 2022**

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#### **Changes from Prior Valuation**

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

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

#### **Benefit Provision Changes**

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

#### **Actuarial Assumption Changes**

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

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

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

#### **Actuarial Method Changes**

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

## **Supplementary Information**

**Harrisburg School District No. 41-2**  
Schedule of Expenditures of Federal Awards  
June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:			
Pass through the S.D Department of Education			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	NA	\$ 205,182
Cash Assistance:			
School Breakfast Program (Note 3)	10.553	NA	637,866
National School Lunch Program (Note 3)	10.555	NA	3,295,872
Emergency Operation Costs (Note 3)	10.555	NA	388
Special Milk Program for Children (Note 3)	10.556	NA	81
Total Child Nutrition Cluster			<u>4,139,389</u>
Total U.S. Department of Agriculture			<u>4,139,389</u>
National Foundation on the Arts and Humanities			
Pass Through SD Department of Tourism			
Grants to States	45.310	NA	<u>34,931</u>
Total National Foundation on the Arts and Humanities			<u>34,931</u>
U.S. Department of Education:			
Pass through the S.D. Department of Education:			
Title I Grants to Local Educational Agencies	84.010	TIA-41002-22	116,138
Career and Technical Education	84.048	PRPI-41002-22	42,523
Vocational Rehabilitation Grant	84.126	VRG-41002-22	84,169
Education for Homeless Children and Youth	84.196	NA	4,290
English Language Acquisition State Grants	84.365	ESL-41002-22	14,808
Supporting Effective Instruction State Grant	84.367	TIVA-41002-22	97,701
Student Support and Academic Enrichment Program	84.424	TIVA-41002-22	10,000
Elementary and Secondary School Emergency Relief Fund (Note 4)	84.425D	ESF-41002-22	2,170,681
American Rescue Plan Elementary and			
Secondary School Emergency Relief (Note 4)	84.425U	ESF-41002-22	<u>118,824</u>
Total ESSER Funds			<u>2,289,505</u>
Special Education Cluster:			
Special Education Grants to States	84.027	611-41002-22	956,801
Special Education - Preschool Grants	84.173	619-41002-22	<u>27,731</u>
Total Special Education Cluster			<u>984,532</u>
Total U.S. Department of Education			<u>3,643,666</u>
U.S. Environmental Protection Agency			
Pass through SD Department of Environment and Natural Resources			
State Clean Diesel Grant Program	66.039	NA	<u>34,708</u>
Total U.S. Environmental Protection Agency			<u>34,708</u>
Grand Total			<u>\$ 7,852,694</u>

**Harrisburg School District No. 41-2**  
Schedule of Expenditures of Federal Awards  
June 30, 2022 (Continued)

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**1. Basis of Presentation:**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Harrisburg School District No. 41-2 under programs of the federal government for the year ended June 30, 2022. 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 Harrisburg School District No. 41-2, it is not intended to and does not present the financial position, changes in net position, or cash flows of Harrisburg School District No. 41-2.

**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 allowable 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.

**3. Federal Reimbursements:**

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

**4. Major Federal Financial Assistance Program:**

This represents a Major Federal Financial Assistance Program.