

Harrisburg School District No. 41-2

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

**For the Year Ended
June 30, 2023**

Harrisburg School District No. 41-2

School District Officials

June 30, 2023

Board Members

Mike Knudson----- Board President

Linda Heerde -----Vice President

Jay Hutton ----- Member

Lisa Groom----- 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, as of June 30, 2023, 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 February 22, 2024, 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 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. Given these limitations, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Prior and Current Audit Findings and Questioned Costs as item 2023-001 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.



Elk Point, South Dakota
February 22, 2024



**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, 2023. 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, 2023.

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.

Handwritten signature in cursive script that reads "CIO Prof LHC".

Elk Point, South Dakota
February 22, 2024

Harrisburg School District No. 41-2
 Schedule of Prior and Current Audit Findings and Questioned Costs
 Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:

An unmodified opinion was issued on the financial statements of the business-type activities, the capital outlay, special education, and bond redemption governmental funds and the food service and other enterprise funds. 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 identified: Yes x None reported

Significant deficiencies identified not considered to be material weaknesses: x Yes None reported

Noncompliance material to financial statements noted? Yes x No

Federal Awards:

Internal control over major program:

Material weakness identified: Yes x None reported

Significant deficiencies identified not considered to be material weaknesses: Yes x None reported

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

Any audit findings disclosed that are required to be reported in Yes x No

Identification of major program:

CFDA Number	Name of Federal Program
84.027	Special Education Cluster
84.173	Special Education Cluster Preschool

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, 2023

Section II - Financial Statement Findings

Prior Audit Findings:

Finding Number 2022-001

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 2023-001.

Current Audit Findings:

Finding Number 2023-001

Significant Deficiency

There is a significant deficiency resulting from the lack of segregation of duties.

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

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

Repeat Finding from Prior Years: Yes

Recommendation: We recommend that district officials be cognizant of this lack of segregation of duties and attempt to provide compensating controls whenever and wherever possible and practical.

Views of Responsible Officials: Management agrees with the finding and recommendation

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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Corrective Action Plan (Unaudited)

Harrisburg School District No. 41-2 respectfully submits the following corrective action plan for the year ended June 30, 2023:

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
1101 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, as of June 30, 2023, 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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.

The School District 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 February 22, 2024, 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
February 22, 2024

Harrisburg School District No. 41-2
Management Discussion and Analysis (MD&A)
June 30, 2023

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, 2023. 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 \$12,709,743.

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.
- 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, 2023

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 and drivers’ education funds.	Instances in which the School is the trustee or agent for someone else's resources.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Changes in Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and 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, 2023

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, 2023

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, 2023

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
	2022	2023	2022	2023	2022	2023	2022-2023
Current and Other Assets	\$119,761,326	\$102,686,534	\$ 2,416,710	\$ 2,549,226	\$122,178,036	\$105,235,760	-13.87%
Capital Assets (Net of Depreciation)	170,002,579	217,537,751	19,052	117,147	170,021,631	217,654,898	28.02%
Total Assets	289,763,905	320,224,285	2,435,762	2,666,373	292,199,667	322,890,658	10.50%
Pension Related Deferred Outflows	16,247,750	14,639,885	--	--	16,247,750	14,639,885	-9.90%
Total Deferred Outflows or Resources	16,247,750	14,639,885	--	--	16,247,750	14,639,885	-9.90%
Long-Term Liabilities Outstanding	208,877,922	230,833,509	--	--	208,877,922	230,833,509	10.51%
Other Liabilities	11,012,068	10,622,117	432,152	1,539,906	11,444,220	12,162,023	6.27%
Total Liabilities	219,889,990	241,455,626	432,152	1,539,906	220,322,142	242,995,532	10.29%
Taxes Levied for Future Period	20,685,745	28,760,035	--	--	20,685,745	28,760,035	39.03%
Pension Related Deferred Inflows	23,098,883	8,709,203	--	--	23,098,883	8,709,203	-62.30%
Total Deferred Inflows of Resources	43,784,628	37,469,238	--	--	43,784,628	37,469,238	-14.42%
Net Investment in Capital Assets	2,262,433	12,637,865	19,052	117,147	2,281,485	12,755,012	459.07%
Restricted	32,256,277	35,714,957	--	--	32,256,277	35,714,957	10.72%
Unrestricted	7,818,327	7,586,484	1,984,558	1,009,320	9,802,885	8,595,804	-12.31%
Total Net Position	42,337,037	55,939,306	2,003,610	1,126,467	44,340,647	57,065,773	28.70%
Beginning Net Position	32,582,662	42,337,037	973,527	2,003,610	33,556,189	44,340,647	32.14%
Increase (Decrease) in Net Position	\$ 9,754,375	\$ 13,602,269	\$ 1,030,083	\$ (877,143)	\$ 10,784,458	\$ 12,725,126	-18.00%
Percentage of Increase (Decrease) in Net Position	29.94%	32.13%	105.81%	-43.78%	32.14%	28.70%	

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)
June 30, 2023

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 \$90,055,612. Approximately 55% of the District's revenue comes from property and other taxes, with another 31% 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 2022-2023

Taxes	\$ 49,765,475	55.25%
State Sources	27,975,891	31.07%
Operating Grants & Contributions	4,999,739	5.55%
Charges For Services	3,751,303	4.17%
Other General Revenues	3,035,912	3.37%
Unrestricted Investment Earnings	<u>527,292</u>	<u>0.59%</u>
Total Revenue	<u><u>\$ 90,055,612</u></u>	<u><u>100.00%</u></u>

The total cost of all functional programs and services totaled \$77,330,485. 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 2022-2023

Instruction	\$ 43,355,861	56.08%
Support Services	20,294,210	26.24%
Interest - on Long-Term Debt	6,504,063	8.41%
Community Services	24,277	0.03%
Cocurricular Activities	2,074,271	2.68%
Food Service	4,998,650	6.46%
Nonprogrammed Charges	3,593	0.00%
Other Enterprise	<u>75,561</u>	<u>0.10%</u>
Total Expenditures	<u><u>\$ 77,330,486</u></u>	<u><u>100.00%</u></u>

Harrisburg School District No. 41-2
Management Discussion and Analysis (MD&A)
June 30, 2023

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
	2022	2023	2022	2023	2022	2023	
Revenues							
Program Revenues							
Charge for Services	\$ 3,515,583	\$ 1,080,020	\$ 621,123	\$ 2,671,283	\$ 4,136,706	\$ 3,751,303	-9.32%
Operating Grants/ Contributions	3,713,305	3,473,954	4,148,671	1,525,785	7,861,976	4,999,739	-36.41%
General Revenues							
Taxes	43,576,323	49,765,475	--	--	43,576,323	49,765,475	14.20%
Revenue State Sources	25,030,393	27,975,891	--	--	25,030,393	27,975,891	11.77%
Other general revenues	2,854,406	3,035,912	--	--	2,854,406	3,035,912	6.36%
Unrestricted Investment Earnings	19,665	527,292	--	--	19,665	527,292	2581.37%
	<u>78,709,675</u>	<u>85,858,544</u>	<u>4,769,794</u>	<u>4,197,068</u>	<u>83,479,469</u>	<u>90,055,612</u>	<u>7.88%</u>
Expenses							
Instruction	39,820,090	43,355,861	--	--	39,820,090	43,355,861	8.88%
Support Services	20,414,206	20,294,210	--	--	20,414,206	20,294,210	-0.59%
Community Services	23,439	24,277			23,439	24,277	3.58%
Non-programmed Charges	--	3,593	--	--	--	3,593	100.00%
Interest on long-term debt	6,788,901	6,504,063	--	--	6,788,901	6,504,063	-4.20%
Co-curricular Activities	1,908,664	2,074,271	--	--	1,908,664	2,074,271	8.68%
Food Service	--	--	3,664,582	4,998,650	3,664,582	4,998,650	36.40%
Other Enterprise	--	--	75,129	75,561	75,129	75,561	0.58%
	<u>68,955,300</u>	<u>72,256,275</u>	<u>3,739,711</u>	<u>5,074,211</u>	<u>72,695,011</u>	<u>77,330,486</u>	<u>6.38%</u>
Increase (Decrease) in Net Position	9,754,375	13,602,269	1,030,083	(877,143)	10,784,458	12,725,126	18.00%
Beginning 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>
Ending Net Position	<u>\$ 42,337,037</u>	<u>\$ 55,939,306</u>	<u>\$ 2,003,610</u>	<u>\$ 1,126,467</u>	<u>\$ 44,340,647</u>	<u>\$ 57,065,773</u>	<u>28.70%</u>

Harrisburg School District No. 41-2
Management Discussion and Analysis (MD&A)
June 30, 2023

Governmental Activities

Revenues of the District's governmental activities increased by 9% and expenses increased by 4.8%. Factors contributing to these results include an increase in general revenues and an increase in instruction and co-curricular activities expenses.

Business-Type Activities

Revenues of the District's business-type activities decreased by 12%, and expenses increased by 35.7%. Factors contributing to these results include a decrease in operating grants/contributions, along with increased expenditures in food service.

Financial Analysis of the District's Funds

The General Fund decreased from 2022, by \$216,633. The school district received more taxes income but had a decrease in federal grants whereas expenditures increased in almost every section. Fund balances in Capital Outlay decreased by \$335,544 from the past year mostly due to a large transfer to the capital projects fund. The Special Education Fund Increased by \$502,490 mainly due to large increases in taxes and state grants and a deduction of expenses. Bond Redemption fund balances are greater than in 2022 by \$2,113,551 mainly due to a large increase in tax revenue. The Capital Projects Fund shows a decrease of \$15,204,153 due to capital outlay expenditures increasing.

Budgetary Highlights

Over the course of the year, the School Board revised the School budget several times. These amendments fall into two 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, 2023

Capital Asset Administration

By the end of 2023, the School had invested \$217,654,897 (net of depreciation) in a broad range of capital assets, including, land, CWIP, buildings, various machinery and equipment, intangible lease assets, and library books. (See Table A-5) This amount represents a net increase (including additions, deletions and depreciation) of \$47,633,266 from the previous year.

Table A-5
Capital Assets
(Net of Depreciation/Amortization)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2022	2023	2022	2023		
Land	\$ 10,301,184	\$ 10,301,184	\$ --	\$ --	\$ --	0.00%
Construction in progress	21,563,572	69,303,066	--	--	47,739,494	221.39%
Buildings & Improvements	134,380,785	133,972,180	--	--	(408,605)	-0.30%
Machinery & Equipment	3,132,363	3,381,196	19,052	117,146	346,927	11.01%
Intangible Lease Assets	197,464	155,357	--	--	(42,107)	-21.32%
Library Books	427,211	424,768	--	--	(2,443)	-0.57%
Total Capital Assets	\$170,002,579	\$217,537,751	\$ 19,052	\$ 117,146	\$ 47,633,266	28.02%

Long-Term Debt

At year-end, the School had \$230,833,509 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

	Governmental Activities		Total Dollar Change	Total % Change
	2022	2023		
General Obligation Bonds	\$184,995,000	\$208,955,000	\$ 23,960,000	12.95%
Plus: Unamortized Premiums	15,575,057	14,639,767	(935,290)	-6.01%
Capital Outlay Certificates	8,030,000	7,055,000	(975,000)	-12.14%
Intangible Lease Liabilities	202,263	155,417	(46,846)	-23.16%
Early Retirement	75,602	28,325	(47,277)	-62.53%
Total Outstanding Debt	\$208,877,922	\$230,833,509	\$ 21,955,587	10.51%

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, 2023

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>
2023	5902	3.56%
2022	5699	4.34%
2021	5462	5.61%

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, 2023

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 69,425,820	\$ 2,469,406	\$ 71,895,226
Investments-certificates of deposits	2,750,000	--	2,750,000
Taxes receivable	28,917,956	--	28,917,956
Inventories	--	79,820	79,820
Other assets	1,445,083	--	1,445,083
Net pension asset	147,675	--	147,675
Capital assets:			
Land and construction in progress	79,604,250	--	79,604,250
Other capital assets, net	<u>137,933,501</u>	<u>117,147</u>	<u>138,050,648</u>
Total Assets	<u>320,224,285</u>	<u>2,666,373</u>	<u>322,890,658</u>
Deferred Outflows of Resources:			
Pension-related deferred outflows	<u>14,639,885</u>	--	<u>14,639,885</u>
Total Deferred Outflows of Resources	<u>14,639,885</u>	--	<u>14,639,885</u>
Liabilities:			
Unearned revenue	--	441,617	441,617
Other current liabilities	10,622,117	1,098,289	11,720,406
Long-term liabilities:			
Due within one year	7,362,859	--	7,362,859
Due in more than one year	<u>223,470,650</u>	--	<u>223,470,650</u>
Total Liabilities	<u>241,455,626</u>	<u>1,539,906</u>	<u>242,995,532</u>
Deferred Inflows of Resources:			
Taxes levied for future periods	28,760,035	--	28,760,035
Pension related deferred inflows	<u>8,709,203</u>	--	<u>8,709,203</u>
Total Deferred Inflows of Resources	<u>37,469,238</u>	--	<u>37,469,238</u>
Net Position:			
Net investment in capital assets	12,637,865	117,147	12,755,012
Restricted for:			
Capital outlay	10,563,568	--	10,563,568
Special education	2,624,580	--	2,624,580
Debt service	16,448,452	--	16,448,452
SDRS pension purposes	6,078,357	--	6,078,357
Unrestricted	<u>7,586,484</u>	<u>1,009,320</u>	<u>8,595,804</u>
Total Net Position	<u>\$ 55,939,306</u>	<u>\$ 1,126,467</u>	<u>\$ 57,065,773</u>

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, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instruction	\$ 43,355,861	\$ --	\$ 3,473,954	\$ (39,881,907)	\$ --	\$ (39,881,907)
Support services	20,294,210	959,998	--	(19,334,212)	--	(19,334,212)
Community Services	24,277	--	--	(24,277)	--	(24,277)
Nonprogrammed Charges	3,593	--	--	(3,593)	--	(3,593)
Interest on long-term debt*	6,504,063	--	--	(6,504,063)	--	(6,504,063)
Cocurricular activities	2,074,271	120,022	--	(1,954,249)	--	(1,954,249)
Total Governmental Activities	72,256,275	1,080,020	3,473,954	(67,702,301)	--	(67,702,301)
Business-Type Activities:						
Food service	4,998,650	2,579,069	1,525,785	--	(893,796)	(893,796)
Other enterprise	75,561	92,214	--	--	16,653	16,653
Total Business Type Activities	5,074,211	2,671,283	1,525,785	--	(877,143)	(877,143)
Total Primary Government	\$ 77,330,486	\$ 3,751,303	\$ 4,999,739	(67,702,301)	(877,143)	(68,579,444)
		General Revenues:				
		Taxes:				
		Property taxes		49,464,314	--	49,464,314
		Gross receipts taxes		301,161	--	301,161
		Revenue from state sources:				
		State aid		24,447,290	--	24,447,290
		Other		3,528,601	--	3,528,601
		Unrestricted investment earnings		527,292	--	527,292
		Other general revenues		3,035,912	--	3,035,912
		Total General Revenues		81,304,570	--	81,304,570
		Change in Net Position		13,602,269	(877,143)	12,725,126
		Net Position - Beginning of Year		42,337,037	2,003,610	44,340,647
		Net Position - End of Year		\$ 55,939,306	\$ 1,126,467	\$ 57,065,773

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

The 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, 2023

	General	Capital Outlay	Special Education	Bond Redemption Funds	Capital Projects Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 9,843,440	\$ 10,169,942	\$ 3,789,307	\$ 16,397,290	\$ 29,225,841	\$ 69,425,820
Investments-certificates of deposit	2,750,000	--	--	--	--	2,750,000
Accounts receivable	2,481	5,375	--	--	--	7,856
Taxes receivable - current	10,350,066	5,543,899	3,568,717	9,297,353	--	28,760,035
Taxes receivable - delinquent	38,223	42,293	26,243	51,162	--	157,921
Due from other governments	558,260	377,245	461,583	--	--	1,397,088
Inventory	40,139	--	--	--	--	40,139
Total Assets	<u>\$ 23,582,609</u>	<u>\$ 16,138,754</u>	<u>\$ 7,845,850</u>	<u>\$ 25,745,805</u>	<u>\$ 29,225,841</u>	<u>\$ 102,538,859</u>
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ 145,740	\$ 31,287	\$ 463,476	\$ --	\$ 3,292,218	\$ 3,932,721
Contracts payable	4,503,125	--	924,390	--	--	5,427,515
Payroll deductions and withholding and employer matching payable	997,194	--	264,687	--	--	1,261,881
Total Liabilities	<u>5,646,059</u>	<u>31,287</u>	<u>1,652,553</u>	<u>--</u>	<u>3,292,218</u>	<u>10,622,117</u>
Deferred Inflows of Resources:						
Taxes levied for future period	10,350,066	5,543,899	3,568,717	9,297,353	--	28,760,035
Delinquent taxes not available	38,223	42,293	26,243	51,162	--	157,921
Total Deferred Inflows of Resources	<u>10,388,289</u>	<u>5,586,192</u>	<u>3,594,960</u>	<u>9,348,515</u>	<u>--</u>	<u>28,917,956</u>
Fund Balances:						
Nonspendable-Inventory	40,139	--	--	--	--	40,139
Restricted:						
For capital outlay	--	10,521,275	--	--	25,933,623	36,454,898
For special education	--	--	2,598,337	--	--	2,598,337
For debt service	--	--	--	16,397,290	--	16,397,290
Unassigned	7,508,122	--	--	--	--	7,508,122
Total Fund Balances	<u>7,548,261</u>	<u>10,521,275</u>	<u>2,598,337</u>	<u>16,397,290</u>	<u>25,933,623</u>	<u>62,998,786</u>
Total Liabilities and Fund Balances	<u>\$ 23,582,609</u>	<u>\$ 16,138,754</u>	<u>\$ 7,845,850</u>	<u>\$ 25,745,805</u>	<u>\$ 29,225,841</u>	<u>\$ 102,538,859</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, 2023

Total Fund Balances - Governmental Funds \$ 62,998,786

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. 217,537,751

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	(155,417)	
GO Bonds	(223,594,767)	
Capital Outlay Certificates	(7,055,000)	
Early Retirement Payable	<u>(28,325)</u>	(230,833,509)

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 157,921

Proportionate Share of Net Pension Asset 147,675

Pension related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (8,709,203)

Pension related deferred outflows are components of non current assets and therefore are not reported in the funds. 14,639,885

Net Position - Governmental Activities \$ 55,939,306

Harrisburg School District No. 41-2
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
June 30, 2023

	<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>
Revenues						
Revenue from Local Sources:						
Taxes:						
Ad valorem taxes	\$ 18,048,393	\$ 9,810,851	\$ 6,216,325	\$ 15,038,400	\$ --	\$ 49,113,969
Prior years' ad valorem taxes	104,498	52,793	32,717	73,717	--	263,725
Utility taxes	301,161	--	--	--	--	301,161
Penalties and interest on taxes	17,780	7,330	4,549	10,921	--	40,580
Earnings on Investments and Deposits	15,684	--	--	--	511,608	527,292
Tuition and Fees:						
Regular day school transportation fees	--	--	47,788	--	--	47,788
Cocurricular Activities:						
Admissions	79,753	--	--	--	--	79,753
Rentals	5,550	--	--	--	--	5,550
Other student activity income	34,719	--	--	--	--	34,719
Other Revenue from Local Sources:						
Rentals	102,565	--	--	--	--	102,565
Contributions and donations	10,820	100,000	--	--	--	110,820
Refund of Prior Years' Expenditures	--	28,577	--	--	--	28,577
Charges for services	159,676	--	25,775	--	--	185,451
Other	1,116,233	1,340,429	261	--	--	2,456,923
Revenue from Intermediate Sources:						
County Sources:						
County apportionment	151,576	--	--	--	--	151,576
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted grants-in-aid	24,447,290	--	--	--	--	24,447,290
Restricted grants-in-aid	101,438	--	3,425,680	--	--	3,527,118
Other state revenue	1,483	--	--	--	--	1,483
Revenue from Federal Sources:						
Grants-in-Aid:						
Restricted grants-in-aid received from federal government through the state	1,320,854	748,414	1,404,686	--	--	3,473,954
Total Revenues	<u>\$ 46,019,473</u>	<u>\$ 12,088,394</u>	<u>\$ 11,157,781</u>	<u>\$ 15,123,038</u>	<u>\$ 511,608</u>	<u>\$ 84,900,294</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, 2023 (Continued)

<u>Expenditures</u>	<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>
Instructional Services:						
Regular programs:						
Elementary	\$ 12,937,773	\$ 1,404,249	\$ --	\$ --	\$ --	\$ 14,342,022
Middle/junior high	7,428,461	528,822	--	--	--	7,957,283
High school	7,330,639	747,591	--	--	--	8,078,230
Special programs:						
Gifted and talented	822,780	37,534	--	--	--	860,314
Programs for special education	--	23,529	6,819,235	--	--	6,842,764
Culturally different	1,123,588	2,604	--	--	--	1,126,192
Educationally deprived	79,374	--	--	--	--	79,374
Other special education costs	216,302	--	--	--	--	216,302
Support Services:						
Students:						
Attendance and social work	30,111	--	151,717	--	--	181,828
Guidance	1,041,444	--	136,945	--	--	1,178,389
Health	--	--	191,118	--	--	191,118
Psychological	494,568	4,686	799,422	--	--	1,298,676
Speech pathology	--	--	1,223,431	--	--	1,223,431
Audiology	--	--	62,044	--	--	62,044
Student therapy services	--	--	388,308	--	--	388,308
Orientation and mobility services	--	--	11,188	--	--	11,188
Instructional Staff:						
Improvement of instruction	777,861	--	125,894	--	--	903,755
Educational media	1,302,342	238,407	133,354	--	--	1,674,103
General Administration:						
Board of education	191,416	--	14,010	--	--	205,426
Executive administration	273,750	--	--	--	--	273,750
School Administration:						
Office of the principal	1,887,419	--	--	--	--	1,887,419
Other	5,137	--	--	--	--	5,137
Business:						
Fiscal services	1,126,351	21,120	--	--	348,017	1,495,488
Facilities acquisition and construction	--	166,548	--	--	--	166,548
Operation and maintenance of plant	5,476,293	240,328	--	--	--	5,716,621
Student transportation	1,566,558	7,983	--	--	--	1,574,541
Internal Services	21,163	--	--	--	--	21,163

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, 2023 (Continued)

	<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>
Special Education:						
Administrative costs	--	--	418,632	--	--	418,632
Transportation costs	--	--	70,870	--	--	70,870
Other special education costs	--	--	109,123	--	--	109,123
Central:						
Information	105,478	22,027	--	--	--	127,505
Staff	14,217	--	--	--	--	14,217
Other	117,949	--	--	--	--	117,949
Community Services:						
Nonpublic school	24,005	--	--	--	--	24,005
Other	272	--	--	--	--	272
Nonprogrammed Charges:						
Payments to State - Unemployment	3,592	--	--	--	--	3,592
Early retirement payments	47,278	--	--	--	--	47,278
Debt Services	--	1,212,012	--	13,009,487	279,700	14,501,199
Cocurricular Activities:						
Male activities	294,505	--	--	--	--	294,505
Female activities	302,912	--	--	--	--	302,912
Combined activities	1,192,568	181,529	--	--	--	1,374,097
Capital Outlay	--	2,179,867	--	--	50,493,146	52,673,013
Total Expenditures	<u>46,236,106</u>	<u>7,018,836</u>	<u>10,655,291</u>	<u>13,009,487</u>	<u>51,120,863</u>	<u>128,040,583</u>
Excess of Revenue Over (Under) Expenditures	(216,633)	5,069,558	502,490	2,113,551	(50,609,255)	(43,140,289)
Other Financing Sources (Uses):						
Transfer in	--	--	--	--	5,405,102	5,405,102
Transfer out	--	(5,405,102)	--	--	--	(5,405,102)
General long-term debt issued	--	--	--	--	30,000,000	30,000,000
Total Other Financing Sources (Uses)	<u>--</u>	<u>(5,405,102)</u>	<u>--</u>	<u>--</u>	<u>35,405,102</u>	<u>30,000,000</u>
Net Change in Fund Balances	(216,633)	(335,544)	502,490	2,113,551	(15,204,153)	(13,140,289)
Fund Balance, Beginning of Year	<u>7,764,894</u>	<u>10,856,819</u>	<u>2,095,847</u>	<u>14,283,739</u>	<u>41,137,776</u>	<u>76,139,075</u>
Fund Balance, End of Year	<u>\$ 7,548,261</u>	<u>\$ 10,521,275</u>	<u>\$ 2,598,337</u>	<u>\$ 16,397,290</u>	<u>\$ 25,933,623</u>	<u>\$ 62,998,786</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, 2023

Net Change in Fund Balances - Total Governmental Funds		\$ (13,140,289)
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.		52,673,013
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.		(5,137,841)
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	6,975,290	
Intangible Lease Liability	46,846	
CO Certificate	<u>975,000</u>	7,997,136
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."		46,041
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.		(30,000,000)
Governmental funds do not reflect the change in early retirement liabilities but the Statement of Activities reflects the change in these accruals through expenses.		47,277
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.		<u>1,116,932</u>
Change in net position of governmental activities		<u><u>\$ 13,602,269</u></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 – Proprietary Funds
June 30, 2023

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 2,411,513	\$ 57,893	\$ 2,469,406
Inventory - stores for resale	44,795	--	44,795
Inventory - supplies	18,769	--	18,769
Inventory of donated food	16,256	--	16,256
Total Current Assets	2,491,333	57,893	2,549,226
Noncurrent Assets:			
Machinery and equipment - local funds	233,461	--	233,461
Less accumulated depreciation	(116,314)	--	(116,314)
Total Noncurrent Assets	117,147	--	117,147
Total Assets	\$ 2,608,480	\$ 57,893	\$ 2,666,373
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 980,486	\$ --	\$ 980,486
Contracts payable	62,557	3,048	65,605
Accrued payroll expenses	51,965	233	52,198
Unearned revenue	441,617	--	441,617
Total Current Liabilities	1,536,625	3,281	1,539,906
Net Position:			
Net investment in capital assets	117,147	--	117,147
Unrestricted net position	954,708	54,612	1,009,320
Total Net Position	\$ 1,071,855	\$ 54,612	\$ 1,126,467

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, 2023

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Operating Revenue:			
Food Sales:			
Student	\$ 2,047,367	\$ --	\$ 2,047,367
Adult	43,093	--	43,093
A la carte	488,609	--	488,609
Other	--	92,214	92,214
Total Operating Revenue	<u>2,579,069</u>	<u>92,214</u>	<u>2,671,283</u>
Operating Expenses:			
Salaries	1,343,277	61,279	1,404,556
Employee benefits	321,562	6,432	327,994
Purchased services	48,836	--	48,836
Supplies	1,451,940	635	1,452,575
Cost of sales - purchased	1,496,374	--	1,496,374
Cost of sales - donated	221,330	--	221,330
Other	77,550	7,215	84,765
Depreciation	37,781	--	37,781
Total Operating Expenses	<u>4,998,650</u>	<u>75,561</u>	<u>5,074,211</u>
Operating Income(Loss)	<u>(2,419,581)</u>	<u>16,653</u>	<u>(2,402,928)</u>
Nonoperating Revenues/Expenses:			
State grants	8,702	--	8,702
Federal grants	1,279,497	--	1,279,497
Donated food	237,586	--	237,586
Total Nonoperating Revenue/ (Expenses)	<u>1,525,785</u>	<u>--</u>	<u>1,525,785</u>
Change in Net Position	(893,796)	16,653	(877,143)
Net Position - Beginning of Year	<u>1,965,651</u>	<u>37,959</u>	<u>2,003,610</u>
Net Position - End of Year	<u>\$ 1,071,855</u>	<u>\$ 54,612</u>	<u>\$ 1,126,467</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, 2023

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 2,696,291	\$ 92,214	\$ 2,788,505
Cash payments to suppliers	(2,109,886)	(7,850)	(2,117,736)
Cash payments to employees	(1,653,427)	(67,530)	(1,720,957)
Net Cash Provided (Used) by Operating Activities	<u>(1,067,022)</u>	<u>16,834</u>	<u>(1,050,188)</u>
Cash Flows from Noncapital Financing Activities:			
Cash reimbursements - state	8,702	--	8,702
Cash reimbursements - federal	1,279,497	--	1,279,497
Net Cash Provided by Noncapital Financing Activities	<u>1,288,199</u>	<u>--</u>	<u>1,288,199</u>
Cash Flows from Capital and related Financing Activities:			
Payment of capital asset	(135,876)	--	(135,876)
Net Cash Provided by Noncapital Financing Activities	<u>(135,876)</u>	<u>--</u>	<u>(135,876)</u>
Net Change in Cash and Cash Equivalents	85,301	16,834	102,135
Cash and Cash Equivalents, Beginning of Year	<u>2,326,212</u>	<u>41,059</u>	<u>2,367,271</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,411,513</u>	<u>\$ 57,893</u>	<u>\$ 2,469,406</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (2,419,581)	\$ 16,653	\$ (2,402,928)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	37,781	--	37,781
Value of commodities used	221,330	--	221,330
Change in Assets and Liabilities:			
Inventory	(14,125)	--	(14,125)
Deferred revenue	117,222	--	117,222
Contracts payable	3,518	168	3,686
Accrued payroll expenses	7,894	13	7,907
Accounts payable	978,939	--	978,939
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,067,022)</u>	<u>\$ 16,834</u>	<u>\$ (1,050,188)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	<u>\$ 237,586</u>	<u>\$ --</u>	<u>\$ 237,586</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, 2023

	Private-Purpose Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 14,786	\$ 524,141
Total Assets	\$ 14,786	\$ 524,141
Liabilities:		
Accounts Payable	--	33,717
Total Liabilities	\$ --	\$ 33,717
Net Position:		
Restricted for:		
Scholarships	\$ 14,786	\$ --
Individuals, organizations, and other governments	--	490,424
Total Net Position	\$ 14,786	\$ 490,424

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, 2023

	Private-Purpose Trust Funds	Custodial Funds
Additions:		
Interest	\$ 15	\$ --
Collections for student activities	--	1,201,907
Total Additions	15	1,201,907
Deductions:		
Payments for student activities	--	1,172,255
Total Deductions	--	1,172,255
Change in Net Position	15	29,652
Net Position - Beginning	14,771	460,772
Net Position - Ending	\$ 14,786	\$ 490,424

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, 2023

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, 2023

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.

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

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

Harrisburg School District No. 41-2

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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 – Funds 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 Funds are the only debt service funds 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 ELEM #8/SMS are the 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, 2023

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Harrisburg School District No. 41-2

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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, 2023 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, 2023

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

Harrisburg School District No. 41-2

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

The total June 30, 2023 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, 2023 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:

	<u>Capitalization Threshold</u>	<u>Depreciation/ Amortization Method</u>	<u>Estimated Useful Life</u>
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 liabilities, 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, 2023

1. Summary of Significant Accounting Policies: (Continued)

h. 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.

i. Subscription-Based Information Technology Arrangements:

The School District does not have any subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided information technology. If the School District had any, it would recognize a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements.

Harrisburg School District No. 41-2

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

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

- The School District uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription 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 subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

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

j. 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.

Harrisburg School District No. 41-2

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

k. 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.

l. 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.

m. 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.

n. 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.”

Harrisburg School District No. 41-2

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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.

o. 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.

p. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted 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.

Harrisburg School District No. 41-2

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

q. 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.

r. 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.

2. Implementation of New Accounting Standard

In 2023, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription Based Information Technology Arrangements. The implementation of this standard had no effect on beginning net position.

3. Deposits and Investments, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk:

The school district follows the practice of aggregating the cash assets of various fund to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Harrisburg School District No. 41-2

Notes to the Financial Statements

June 30, 2023

3. Deposits and Investments, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk: (Continued)

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:

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, 2023, 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, 2023.

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.

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

4. 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, 2023

5. Inventory:

Inventory held for consumption is stated at cost.

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

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

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

6. 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 not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred inflow of resources-property taxes levied for future period in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

Harrisburg School District No. 41-2
Notes to the Financial Statements
June 30, 2023

7. Changes in Capital Assets:

A summary of changes in capital assets for the fiscal year ended June 30, 2023 is as follows:

	<u>6/30/2022</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2023</u> <u>Balance</u>
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 10,301,184	\$ --	\$ --	\$ 10,301,184
Construction in progress	21,563,572	50,776,356	3,036,862	69,303,066
Total capital assets not being depreciated/amortized	<u>31,864,756</u>	<u>50,776,356</u>	<u>3,036,862</u>	<u>79,604,250</u>
Capital assets being depreciated/amortized:				
Buildings	160,428,885	127,242	--	160,556,127
Improvements	7,934,115	3,681,569	--	11,615,684
Machinery & equipment	7,588,081	1,023,225	--	8,611,306
Intangible lease assets	246,830	--	--	246,830
Library books	1,249,433	101,483	--	1,350,916
Total capital assets being depreciated/amortized	<u>177,447,344</u>	<u>4,933,519</u>	<u>--</u>	<u>182,380,863</u>
Less accumulated depreciation/amortization for:				
Buildings	32,391,244	3,628,543	--	36,019,787
Improvements	1,590,971	588,873	--	2,179,844
Machinery & equipment	4,455,718	774,392	--	5,230,110
Intangible lease assets	49,366	42,107	--	91,473
Library books	822,222	103,926	--	926,148
Total accumulated depreciation/amortization	<u>39,309,521</u>	<u>5,137,841</u>	<u>--</u>	<u>44,447,362</u>
Total capital assets being depreciated/amortized, net	<u>138,137,823</u>	<u>(204,322)</u>	<u>--</u>	<u>137,933,501</u>
Net Capital Assets	<u>\$170,002,579</u>	<u>\$ 50,572,034</u>	<u>\$ 3,036,862</u>	<u>\$217,537,751</u>

Depreciation/amortization expense was charged to functions as follows:

Instruction	\$ 3,853,381
Support services	1,181,703
Co-curricular activities	102,757
Total Depreciation/Amortization Expense	<u>\$ 5,137,841</u>

	<u>Balance</u> <u>6/30/22</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2023</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Equipment	\$ 97,586	\$ 135,875	\$ --	\$ 233,461
Less accumulated depreciation for:				
Less: Accumulated Depreciation	<u>78,534</u>	<u>37,781</u>	<u>--</u>	<u>116,315</u>
Total capital assets being depreciated, net	<u>\$ 19,052</u>	<u>\$ 98,094</u>	<u>\$ --</u>	<u>\$ 117,146</u>

Harrisburg School District No. 41-2
Notes to the Financial Statements
June 30, 2023

7. Changes in Capital Assets: (Continued)

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	<u>\$ 37,781</u>

Construction Work in Progress at June 30, 2023 is composed of the following:

Project Name	Project Authorization	Through 6/30/2023	Committed
Elementary #8	\$ 29,720,300	\$ 3,953,673	\$ 25,766,627
East Middle School Project	30,761,932	28,991,095	1,770,837
Freshman Academy	38,325,116	36,253,161	2,071,955
Greenhouse	<u>270,000</u>	<u>105,137</u>	<u>164,863</u>
Total Work in Progress	<u>\$ 99,077,348</u>	<u>\$ 69,303,066</u>	<u>\$ 29,774,282</u>

8. Long-Term Liabilities:

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

	6/30/2022	Increase	Decrease	6/30/2023	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$184,995,000	\$ 30,000,000	\$ 6,040,000	\$208,955,000	\$ 5,340,000
Plus: Unamortized Premiums	15,575,057	--	935,290	14,639,767	935,290
Capital Outlay Certificates	<u>8,030,000</u>	--	<u>975,000</u>	<u>7,055,000</u>	<u>1,010,000</u>
	208,600,057	30,000,000	7,950,290	230,649,767	7,285,290
Other Liabilities:					
Early Retirement Payable	75,602	--	47,277	28,325	28,325
Intangible lease liability	<u>202,263</u>	--	<u>46,846</u>	<u>155,417</u>	<u>49,244</u>
Total Long-Term Liabilities	<u>\$208,877,922</u>	<u>\$ 30,000,000</u>	<u>\$ 8,044,413</u>	<u>\$230,833,509</u>	<u>\$ 7,362,859</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, 2023

8. Long-Term Liabilities: (Continued)

Debt payable at June 30, 2023, 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.	\$ 34,915,000
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.	\$ 11,285,000
Harrisburg School District No 41-2 General Obligation Bonds, Series 2023	During January 2023, the School District entered into an agreement to receive General Obligation Bonds in the amount of \$30,000,000. There is a interest rate of 3.8% assessed on these bonds. Final payment is August 2043. The Bond Redemption Fund #38 makes payment on this debt.	\$ 30,000,000
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.	\$ 1,085,000
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.	\$ 61,555,000

Harrisburg School District No. 41-2

Notes to the Financial Statements

June 30, 2023

8. Long-Term Liabilities: (Continued)

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.	\$ 46,750,000
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.	\$ 5,195,000
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.	\$ 530,000

Harrisburg School District No. 41-2

Notes to the Financial Statements

June 30, 2023

8. Long-Term Liabilities: (Continued)

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.	\$ 1,895,000
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.	\$ 4,630,000
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.	\$ 155,417
Early Retirement Payable		
Payable from the fund to which payroll expenditures are charged		\$ 28,325

Harrisburg School District No. 41-2

Notes to the Financial Statements

June 30, 2023

8. Long-Term Liabilities: (Continued)

The annual requirements to amortize the General Obligation Bonds, Capital Outlay Certificates, and Leases outstanding at June 30, 2023, are as follows:

Year Ending June 30,	General Obligation Bonds		Capital Outlay Certificates		Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
	2024	\$ 5,340,000	\$ 7,871,349	\$ 1,010,000	\$ 158,144	\$ 49,244
2025	10,036,000	7,528,777	1,050,000	134,556	51,763	4,133
2026	9,391,000	7,089,331	1,085,000	108,931	54,410	1,487
2027	10,857,000	6,620,140	1,140,000	80,781	--	--
2028	13,079,000	6,097,581	1,050,000	53,780	--	--
2029-2033	54,720,000	23,904,760	1,720,000	46,776	--	--
2034-2038	64,119,000	12,645,174	--	--	--	--
2039-2043	37,229,000	3,559,649	--	--	--	--
2044-2049	4,184,000	78,858	--	--	--	--
Totals	<u>\$ 208,955,000</u>	<u>\$ 75,395,619</u>	<u>\$ 7,055,000</u>	<u>\$ 582,968</u>	<u>\$ 155,417</u>	<u>\$ 11,726</u>

Year Ending June 30,	Premium on Bonds		Totals	
	Principal	Interest	Principal	Interest
	2024	\$ 935,290	\$ --	\$ 7,334,534
2025	935,290	--	12,073,053	7,667,466
2026	935,290	--	11,465,700	7,199,749
2027	935,290	--	12,932,290	6,700,921
2028	935,290	--	15,064,290	6,151,361
2029-2033	4,275,549	--	60,715,549	23,951,536
2034-2038	3,410,422	--	67,529,422	12,645,174
2039-2043	2,148,951	--	39,377,951	3,559,649
2044-2049	128,395	--	4,312,395	78,858
Totals	<u>\$ 14,639,767</u>	<u>\$ --</u>	<u>\$ 230,805,184</u>	<u>\$ 75,990,313</u>

Harrisburg School District No. 41-2
Notes to the Financial Statements
June 30, 2023

9. Restricted Net Position:

Restricted Net Position for the year ended June 30, 2023 was as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
Capital Outlay	Law	\$ 10,563,568
Special Education	Law	2,624,580
Debt Service	Debt Covenant	16,448,452
SDRS Pension Purposes	Law	<u>6,078,357</u>
Total		<u>\$ 35,714,957</u>

10. Interfund Transfers:

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

Transfer from the Capital Outlay Fund to the Capital Projects Fund \$ 5,405,102
to help fund the current project.

11. Pension Plan:

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

Benefits Provided:

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

Harrisburg School District No. 41-2

Notes to the Financial Statements

June 30, 2023

11. Pension Plan: (Continued)

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. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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

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

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

Harrisburg School District No. 41-2

Notes to the Financial Statements

June 30, 2023

11. Pension Plan: (Continued)

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. The School District's share of contributions to the SDRS for the years ended June 30, 2023, 2022 and 2021, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 2,440,607
2022	2,235,885
2021	2,097,482

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

At June 30, 2022, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of the measurement period ending June 30, 2022 and reported by the School District as of June 30, 2023 are as follows:

Proportionate share of pension liability	\$ 220,585,868
Less proportionate share of net pension restricted for pension benefits	<u>220,733,543</u>
Proportionate share of net pension (asset)	<u>\$ (147,675)</u>

At June 30, 2023, the School reported an (asset) of (\$147,675) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2022 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, 2022, the School District's proportion was 1.56259700%, which is an increase of 0.1661402% from its proportion measured as of June 30, 2021.

Harrisburg School District No. 41-2

Notes to the Financial Statements

June 30, 2023

11. Pension Plan: (Continued)

For the year ended June 30, 2023, the School District recognized a reduction of pension expense of (\$1,116,933). At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,811,110	\$ 9,587
Changes in assumption	9,385,785	8,225,385
Net difference between projected and actual earnings on pension plan investments	--	353,899
Changes in proportion and difference between district contributions and proportionate share of contributions	2,383	120,332
District contributions subsequent to the measurement date	<u>2,440,607</u>	<u>--</u>
 Total	 <u>\$ 14,639,885</u>	 <u>\$ 8,709,203</u>

\$2,440,607 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

	<u>Year Ended June 30,</u>
2024	\$ 885,685
2025	2,029,695
2026	(2,347,569)
2027	<u>2,922,264</u>
Total	<u>\$ 3,490,075</u>

Actuarial Assumptions:

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

Inflation	2.25%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	2.10%

Harrisburg School District No. 41-2

Notes to the Financial Statements

June 30, 2023

11. Pension Plan: (Continued)

Mortality rates:

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

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

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

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

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

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.

Harrisburg School District No. 41-2

Notes to the Financial Statements

June 30, 2023

11. Pension Plan: (Continued)

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	58.0%	3.7%
Fixed income	30.0%	1.1%
Real estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	<u>100.0%</u>	

Discount Rate:

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

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

The following presents the School District's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50%, as well as what the School's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 30,663,401</u>	<u>\$ (147,675)</u>	<u>\$ (25,328,465)</u>

Pension Plan Fiduciary Net Position:

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

12. 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, 2023, 5 employees participated in the program and the benefits paid out totaled \$50,870.

Harrisburg School District No. 41-2
Notes to the Financial Statements
June 30, 2023

13. 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, 2023, the School District managed its risks as follows:

Employee Health Insurance:

The school district joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for 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. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

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

During the year ended June 30, 2023, total claims of \$3,592 were paid. At June 30, 2023 no claims had been filed for these matters and none are anticipated.

14. Significant Contingencies – Litigation:

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

15. 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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 17,120,000	\$ 17,120,000	\$ 18,048,393	\$ 928,393
Prior years' ad valorem taxes	160,000	160,000	104,498	(55,502)
Utility taxes	275,000	275,000	301,161	26,161
Penalties and interest on taxes	25,000	25,000	17,780	(7,220)
Earnings on Investments and Deposits	6,000	6,000	15,684	9,684
Cocurricular Activities:				
Admissions	85,000	85,000	79,753	(5,247)
Rentals	6,000	6,000	5,550	(450)
Other student activity income	17,000	17,000	34,719	17,719
Other Revenue from Local Sources:				
Rentals	90,000	90,000	102,565	12,565
Contributions and donations	17,000	17,000	10,820	(6,180)
Charges for services	142,000	142,000	159,676	17,676
Other	952,050	952,050	1,116,233	164,183
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	170,000	170,000	151,576	(18,424)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	24,960,000	24,960,000	24,447,290	(512,710)
Restricted grants-in-aid	70,000	70,000	101,438	31,438
Other state revenues	--	--	1,483	1,483
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	1,936,287	1,936,287	1,320,854	(615,433)
Total Revenues	<u>\$ 46,031,337</u>	<u>\$ 46,031,337</u>	<u>\$ 46,019,473</u>	<u>\$ (11,864)</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 – General Fund – Budgetary Basis
June 30, 2023 (Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Instructional Services:				
Regular programs:				
Elementary	\$ 13,147,810	\$ 13,147,810	\$ 12,937,773	\$ 210,037
Middle/junior high	7,499,225	7,499,225	7,428,461	70,764
High school	7,350,655	7,350,655	7,330,639	20,016
Special programs:				
Gifted and talented	842,118	842,118	822,780	19,338
Culturally different	1,117,871	1,124,871	1,123,588	1,283
Educationally deprived	79,714	79,714	79,374	340
Other special programs	246,153	246,153	216,302	29,851
Support Services:				
Students:				
Attendance and social work	--	31,825	30,111	1,714
Guidance	1,044,222	1,044,222	1,041,444	2,778
Health	526,120	526,120	494,568	31,552
Instructional Staff:				
Improvement of instruction	851,389	868,889	777,861	91,028
Educational media	1,343,648	1,346,648	1,302,342	44,306
General Administration:				
Board of education	231,065	231,065	191,416	39,649
Executive administration	275,602	275,602	273,750	1,852
School Administration:				
Office of the principal	1,900,493	1,900,493	1,887,419	13,074
Other	10,000	10,000	5,137	4,863
Business:				
Fiscal services	1,192,481	1,192,481	1,126,351	66,130
Operation and maintenance of plant	5,923,304	5,988,304	5,476,293	512,011
Student transportation	1,568,765	1,568,875	1,566,558	2,317
Internal services	27,000	27,000	21,163	5,837
Central:				
Information	110,817	110,817	105,478	5,339
Staff	17,935	17,935	14,217	3,718
Other	114,627	118,627	117,949	678
Community Services:				
Welfare Activities	10,000	10,000	272	9,728
Nonpublic school	29,462	29,462	24,005	5,457
Nonprogrammed Charges:				
Payments to state - unemployment	5,000	5,000	3,592	1,408
Early retirement payments	48,445	48,445	47,278	1,167

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, 2023 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Cocurricular Activities:				
Male activities	291,048	308,148	294,505	13,643
Female activities	320,560	327,560	302,912	24,648
Combined activities	1,201,292	1,245,454	1,192,568	52,886
Contingency	100,000	100,000	--	100,000
Total Expenditures	<u>47,426,821</u>	<u>47,623,518</u>	<u>46,236,106</u>	<u>1,387,412</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,395,484)</u>	<u>(1,592,181)</u>	<u>(216,633)</u>	<u>1,375,548</u>
Other Financing Sources:				
Operating transfers in	<u>1,200,000</u>	<u>1,200,000</u>	<u>--</u>	<u>(1,200,000)</u>
Net Change in Fund Balances	<u>(195,484)</u>	<u>(392,181)</u>	<u>(216,633)</u>	<u>175,548</u>
Fund Balance, Beginning of Year	<u>7,764,894</u>	<u>7,764,894</u>	<u>7,764,894</u>	<u>--</u>
Fund Balance, End of Year	<u><u>\$ 7,569,410</u></u>	<u><u>\$ 7,372,713</u></u>	<u><u>\$ 7,548,261</u></u>	<u><u>\$ 175,548</u></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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 10,758,000	\$ 10,758,000	\$ 9,810,851	\$ (947,149)
Prior years' ad valorem taxes	68,000	68,000	52,793	(15,207)
Penalties and interest on taxes	9,500	9,500	7,330	(2,170)
Other Revenue from Local Sources:				
Contributions and donations	100,000	100,000	100,000	--
Refund of Prior Years' Expenditures	--	--	28,577	28,577
Other	1,100,000	1,100,000	1,340,429	240,429
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	674,525	674,525	748,414	73,889
Total Revenues	12,710,025	12,710,025	12,088,394	(621,631)
Expenditures				
Instructional Services:				
Regular programs:				
Elementary	399,619	1,424,619	1,404,249	20,370
Middle/junior high	523,434	548,434	528,822	19,612
High school	897,132	922,132	894,973	27,159
Special programs:				
Gifted and talented	90,050	90,050	37,534	52,516
Programs for special education	61,515	61,515	23,529	37,986
Culturally different	7,200	7,200	2,604	4,596
Support Services:				
Students:				
Health	--	5,000	4,686	314
Instructional Staff:				
Educational media	386,035	391,035	339,890	51,145
Business:				
Fiscal Services	21,700	21,700	21,120	580
Facilities acquisition and construction	588,000	1,463,000	1,255,085	207,915
Operation and maintenance of plant	951,860	951,860	331,588	620,272
Student transportation	587,445	745,445	738,437	7,008
Central:				
Information	23,910	23,910	22,027	1,883
Debt Services	1,213,491	1,213,491	1,212,012	1,479
Cocurricular Activities:				
Combined Activities	228,390	238,390	202,280	36,110
Total Expenditures	5,979,781	8,107,781	7,018,836	1,088,945
Excess of Revenue Over (Under)				
Expenditures	6,730,244	4,602,244	5,069,558	467,314
Other Financing Sources (Uses):				
Transfers out	(1,200,000)	(1,200,000)	(5,405,102)	(4,205,102)
Total Other Financing Sources (Uses)	(1,200,000)	(1,200,000)	(5,405,102)	(4,205,102)
Net Change in Fund Balances	5,530,244	3,402,244	(335,544)	(3,737,788)
Fund Balance, Beginning of Year	10,856,819	10,856,819	10,856,819	--
Fund Balance, End of Year	\$ 16,387,063	\$ 14,259,063	\$ 10,521,275	\$ (3,737,788)

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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 6,016,500	\$ 6,016,500	\$ 6,216,325	\$ 199,825
Prior years' ad valorem taxes	45,000	45,000	32,717	(12,283)
Penalties and interest on taxes	5,500	5,500	4,549	(951)
Tuition and Fees:				
Regular day school tuition	47,500	47,500	47,788	288
Other Revenue from Local Sources:				
Charges for services	40,500	40,500	25,775	(14,725)
Other	--	--	261	261
Revenue from State Sources:				
Grants-in-Aid:				
Restricted grants-in-aid	3,330,000	3,330,000	3,425,680	95,680
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	1,822,495	1,822,495	1,404,686	(417,809)
Total Revenues	<u>11,307,495</u>	<u>11,307,495</u>	<u>11,157,781</u>	<u>(149,714)</u>
Expenditures				
Instructional Services:				
Special programs:				
Programs for Special Education	7,211,702	7,256,702	6,819,235	437,467
Support Services:				
Students:				
Attendance and social work	152,408	152,408	151,717	691
Guidance	136,605	137,105	136,945	160
Health	245,055	245,055	191,118	53,937
Psychological	814,415	820,415	799,422	20,993
Speech pathology	1,260,266	1,260,266	1,223,431	36,835
Audiology	65,000	65,000	62,044	2,956
Student therapy services	406,708	406,708	388,308	18,400
Orientation and mobility services	31,150	31,150	11,188	19,962
Instructional staff:				
Improvement of instruction	110,221	130,221	125,894	4,327
Educational media	136,203	136,203	133,354	2,849
General Administration:				
Board of Education	--	15,000	14,010	990
Special Education:				
Administrative costs	432,931	432,931	418,632	14,299
Transportation costs	98,909	98,909	70,870	28,039
Other special education costs	160,000	170,000	109,123	60,877
Total Expenditures	<u>11,261,573</u>	<u>11,358,073</u>	<u>10,655,291</u>	<u>702,782</u>
Net Change in Fund Balance	45,922	(50,578)	502,490	553,068
Fund Balance, Beginning of Year	<u>2,095,847</u>	<u>2,095,847</u>	<u>2,095,847</u>	--
Fund Balance, End of Year	<u>\$ 2,141,769</u>	<u>\$ 2,045,269</u>	<u>\$ 2,598,337</u>	<u>\$ 553,068</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, 2023

1. 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.

2. Basis of Presentation:

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

Harrisburg School District No. 41-2

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

	<u>2023</u>	<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)	1.5625970%	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)	\$ (147,675)	\$ (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	\$ 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
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.40%	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)	100.10%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually-required contribution	\$ 2,440,607	\$ 2,235,885	\$ 2,097,482	\$ 1,838,882	\$ 1,674,550
Contributions in relation to the contractually-required contribution	<u>2,440,607</u>	<u>2,235,885</u>	<u>2,097,482</u>	<u>1,838,882</u>	<u>1,674,550</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 40,679,174	\$ 37,264,179	\$ 34,957,713	\$ 30,648,646	\$ 27,908,863
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 1,543,446	\$ 1,352,575	\$ 1,166,765	\$ 1,063,251	\$ 951,941
Contributions in relation to the contractually-required contribution	<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>
District's covered-employee payroll	\$ 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%

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, 2023

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

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

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, 2023 (Continued)

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

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

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027 Actuarial Valuation and any recommended 7 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.

Actuarial Method Changes

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

Supplementary Information

Harrisburg School District No. 41-2
Schedule of Expenditures of Federal Awards
June 30, 2023

<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	\$ 221,330
Cash Assistance:			
School Breakfast Program (Note 3)	10.553	NA	148,528
National School Lunch Program (Note 3)	10.555	NA	<u>1,130,969</u>
Total U.S. Department of Agriculture			<u>1,500,827</u>
WIA/WIOA Cluster			
US Department of Labor Pass-Through Programs From:			
SD Department of Labor:			
DOL Pathway Partnership	17.268	NA	<u>2,500</u>
Total US Department of Labor - WIA/WIOA Cluster			<u>2,500</u>
U.S. Department of Education:			
Pass through the S.D. Department of Education:			
Title I Grants to Local Educational Agencies	84.010	NA	136,955
Career and Technical Education	84.048	NA	46,327
CTE Grant	84.051F	NA	114,125
Vocational Rehabilitation Grant	84.126	NA	85,665
Education for Homeless Children and Youth	84.196	NA	11,703
English Language Acquisition State Grants	84.365	NA	20,294
Supporting Effective Instruction State Grant	84.367	NA	118,235
Student Support and Academic Enrichment Program	84.424	NA	10,938
Elementary and Secondary School Emergency Relief Fund	84.425D	NA	1,551,582
American Rescue Plan Elementary and			
Secondary School Emergency Relief	84.425U	NA	43,375
Secondary School Emergency Relief	84.425W	NA	<u>11,529</u>
Total ESSER Funds			<u>1,606,486</u>
Special Education Cluster:			
Special Education Grants to States (Note 4)	84.027	NA	1,295,848
Special Education - Preschool Grants (Note 4)	84.173	NA	<u>24,878</u>
Total Special Education Cluster			<u>1,320,726</u>
Total U.S. Department of Education			<u>3,471,454</u>
Grand Total			<u>\$ 4,974,781</u>

Harrisburg School District No. 41-2
Schedule of Expenditures of Federal Awards
June 30, 2023 (Continued)

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, 2023. 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.