

**Hill City School District No 51-2**

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

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

# Hill City School District No 51-2

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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***

To the School Board  
Hill City School District No. 51-2  
Hill City, 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 Hill City School District No. 51-2, South Dakota (School District), 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 5, 2024.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs, as item 2023-001 to be a material weakness.

## 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 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.



Huron, South Dakota  
February 5, 2024



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

To the School Board  
Hill City School District No. 51-2  
Hill City, South Dakota

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

**Opinion on Each Major Federal Program**

We have audited the Hill City School District No. 51-2, 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 Current Audit Findings and Questioned Costs.

In our opinion, the Hill City School District No. 51-2 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.

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

Huron, South Dakota  
February 5, 2024

**Hill City School District No 51-2**  
 Schedule of Current Audit Findings and Questioned Costs  
 June 30, 2023

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

**Financial Statements:**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified:   X   Yes        No

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

Noncompliance material to financial statements noted?        Yes   X   No

**Federal Awards:**

Internal control over major programs:

Material weakness(es) identified?        Yes   X   No

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

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

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

**Identification of Major Programs:**

FALN(s)	Name of Federal Program or Cluster
84.425D	Elementary and Secondary School Emergency Relief Fund
84.425U	American Rescue Plan Elementary and Secondary School Emergency Relief
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between type A and type B programs:        \$   750,000  

Auditee qualified as low-risk auditee?        Yes   X   No



**Hill City School District No 51-2**  
Schedule of Current Audit Findings and Questioned Costs  
June 30, 2023 (Continued)

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**Section II – Financial Statement Findings**

**Finding 2023-001**

Material Weakness

Internal Control Over Year-end Closing Procedures Including Preparation of the Financial Statements

Criteria: Hill City School District 51-2 requested the external auditors to assist in the preparation of the financial statements, related footnotes, and the SEFA for the year ended June 30, 2023. As part of the financial statement preparation process, at times we propose material audit adjustments that are not identified as a result of the School District's existing internal controls and, therefore, could result in a misstatement to the School District's financial statements.

Condition: The School District's internal control structure should be designed to provide for the preparation of the financial statements, footnotes, and the SEFA, which includes having an adequate system for recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

Cause: The limited size of the School District's staff and resources cause the inability to prepare the financial statements, footnotes, and the schedule of federal awards.

Effect: This condition may affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Repeat Finding from Prior Years(s): Yes

Auditor's Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Also, a thorough review of the transactions in each fund should take place prior to the beginning of the audit, to ensure generally accepted accounting principles have been followed for each fund type, especially for transaction types infrequent in occurrence.

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

**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).

## Hill City School District No 51-2

Office of the Business Manager  
Phone: (605)-574-3030

488 Main Street  
Hill City, SD 57745

### Summary Schedule of Prior Audit Findings

#### Finding 2022-001

##### Material Weakness

##### Internal Control Over Year-end Closing Process Including Preparation of the Financial Statements

Condition: The School District's internal control structure should be designed to provide for the preparation of the financial statements, footnotes, and the SEFA, which includes having an adequate system for recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

Criteria: Hill City School District 51-2 requested the external auditors to assist in the preparation of the financial statements, related footnotes, and the SEFA for the year ended June 30, 2022. As part of the financial statement preparation process, at times we propose material audit adjustments that are not identified as a result of the School District's existing internal controls and, therefore, could result in a misstatement to the School District's financial statements.

Auditor's Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Also, a thorough review of the transactions in each fund should take place prior to the beginning of the audit, to ensure generally accepted accounting principles have been followed for each fund type, especially for transaction types infrequent in occurrence.

Current Status: We requested that our auditors, ELO Prof LLC, prepare the financial statements, notes to the financials, and SEFA as part of their annual audit. We designated a member of management to review the drafted financial statements and accompanying notes, and we have reviewed and agree with material adjustments proposed during the audit.

**Hill City School District No 51-2**

Office of the Business Manager  
Phone: (605)-574-3030

488 Main Street  
Hill City, SD 57745

**Corrective Action Plan (Unaudited)**

Hill City School District No. 51-2 respectfully submits the following corrective action plan for the year ended June 30, 2023.

Name and address of independent public accounting firm:

ELO Prof. LLC  
PO Box 951  
Huron, SD 57350

Findings - Financial Statement Audit

**Finding 2023-001**

Material Weakness

Internal Control Over Year-end Closing Process Including Preparation of the Financial Statements

Criteria: Hill City School District 51-2 requested the external auditors to assist in the preparation of the financial statements, related footnotes, and the SEFA for the year ended June 30, 2023. As part of the financial statement preparation process, at times we propose material audit adjustments that are not identified as a result of the School District's existing internal controls and, therefore, could result in a misstatement to the School District's financial statements.

Condition: The School District's internal control structure should be designed to provide for the preparation of the financial statements, footnotes, and the SEFA, which includes having an adequate system for recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

Cause: The limited size of the School District's staff and resources cause the inability to prepare the financial statements, footnotes, and the schedule of federal awards.

Effect: This condition may affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Auditor's Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Also, a thorough review of the transactions in each fund should take place prior to the beginning of the audit, to ensure generally accepted accounting principles have been followed for each fund type, especially for transaction types infrequent in occurrence.

Management's Response: The Hill City School District's agrees with the finding. We requested that our auditors, ELO Prof LLC, prepare the financial statements, notes to the financials, and SEFA as part of their annual audit. Moving forward, we will be preparing our own SEFA. We have designated a member of management to review the drafted financial statements and accompanying notes, and we have reviewed and agree with material adjustments proposed during the audit.

Anticipated Completion Date: Ongoing

If there are questions regarding this plan, please call Cassandra Ott, Business Manager, at 605-574-3030.



## Independent Auditor's Report

Board of Directors  
Hill City School District No. 51-2  
Hill City, South Dakota

### Report on the Audit of the Financial Statements

#### 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 Hill City School District No. 51-2, South Dakota (School District), 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, 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 Hill City School District No. 51-2 as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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.

#### 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 5, 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.



Huron, South Dakota  
February 5, 2024

**Hill City School District No 51-2**  
Management's Discussion and Analysis (MD&A)  
June 30, 2023

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This section of Hill City School District No. 51-2's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2023. Please read it in conjunction with the District's financial statements, which follow this section.

### **Financial Highlights**

- During the 22-23 year, the District's revenues of \$8,737,485 generated from taxes and other revenues of the governmental and business-type programs were \$1,956,395 more than the \$6,781,090 in governmental and business-type program expenditures. Mainly due to increased federal dollars and property taxes.
- The District applies for Impact aid every year to supplement property tax revenues not available because of the federal land in the school district. The school received \$441,031 in Impact aid in FY 2023.

### **Overview Of The Financial Statements**

This 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 include two kinds of statements that present different view of the 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 District 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 proprietary funds operated by the District are the Food Service Operation (Fund 51), and Fitness Center (Fund 53).
  - Fiduciary fund statements provide information about the financial relationships 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.

**Hill City School District No 51-2**  
**Management’s Discussion and Analysis (MD&A)**  
**June 30, 2023**

Figure A-1 summarizes the major features of the District’s financial statements, including the portion of the School government covered and the types of information contained. The 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 Hill City District’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, preschool, PASS, and the drivers’ education program	Instances in which the School is the trustee or agent for someone else’s resources
Required Financial Statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
Accounting Basis and Measurement Focus	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 District’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



**Hill City School District No 51-2**  
Management's Discussion and Analysis (MD&A)  
June 30, 2023

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### **Government-Wide Statements**

The government-wide statements report information about the District 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 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 nonfinancial 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 School 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, and federal grants finance most of these activities.
- **Business-type Activities** – The District charges a fee to students to help cover the costs of providing breakfast and hot lunch services to all students. The Food Service Fund and the Other Enterprise Funds (Fitness Center) are the only business-type activities of the District.

### **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 District 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.

**Hill City School District No 51-2**  
Management's Discussion and Analysis (MD&A)  
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The School has three kinds of funds:

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

**Hill City School District No 51-2**  
**Management's Discussion and Analysis (MD&A)**  
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**Financial Analysis of the School as a Whole**

**Net Position**

Table A-1  
Hill City School District No. 51-2  
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage
	2022	2023	2022	2023	2022	2023	Change 2022-2023
Current and Other Assets	\$ 11,721,804	\$ 12,412,879	\$ 151,374	\$ 198,363	\$ 11,873,178	\$ 12,611,242	6.22%
Capital Assets (Net of Depreciation)	10,074,731	9,912,303	3,212	2,548	10,077,943	9,914,851	-1.62%
Total Assets	21,796,535	22,325,182	154,586	200,911	21,951,121	22,526,093	2.62%
Pension Related Deferred Outflows	1,389,559	1,186,691	--	--	1,389,559	1,186,691	-14.60%
Total Deferred Outflows of Resources	1,389,559	1,186,691	--	--	1,389,559	1,186,691	-14.60%
Long-Term Liabilities Outstanding	2,033,181	1,047,402	--	--	2,033,181	1,047,402	-48.48%
Other Liabilities	637,640	711,803	10,233	9,628	647,873	721,431	11.35%
Total Liabilities	2,670,821	1,759,205	10,233	9,628	2,681,054	1,768,833	-34.02%
Taxes Levied for Future Period	2,707,135	3,258,541	--	--	2,707,135	3,258,541	20.37%
Pension and OPEB Related Deferred Inflows	1,910,018	686,542	--	--	1,910,018	686,542	-64.06%
Total Deferred Inflows of Resources	4,617,153	3,945,083	--	--	4,617,153	3,945,083	-14.56%
Net Position							
Net Investment in Capital Assets	8,012,441	8,840,782	3,212	2,548	8,015,653	8,843,330	10.33%
Restricted	3,693,748	4,367,180	--	--	3,693,748	4,367,180	18.23%
Unrestricted	4,191,931	4,599,623	141,141	188,735	4,333,072	4,788,358	10.51%
Total Net Position	15,898,120	17,807,585	144,353	191,283	16,042,473	17,998,868	12.20%
Beginning Net Position	13,433,848	15,898,120	78,985	144,353	13,512,833	16,042,473	
Restatements	190,846	--	--	--	190,846	--	
Restated Beginning Net Position	13,624,694	15,898,120	78,985	144,353	13,703,679	16,042,473	17.07%
Increase (Decrease) in Net Position	\$ 2,273,426	\$ 1,909,465	\$ 65,368	\$ 46,930	\$ 2,338,794	\$ 1,956,395	
Percentage of Increase (Decrease) in Net Position	16.69%	12.01%	82.76%	32.51%	17.07%	12.20%	

The District's combined net position increased as follows: The District's combined net position of approximately \$18 million is approximately \$1.9 million or 12.2% more than on June 30, 2022.

The Statement of Net Position reports all financial and capital resources. The statement presents the assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 District, consisting of net pension liability, compensated absences payable, Capital outlay certificates, and capital leases, have been reported in this manner on the Statement of Net Position. The difference between the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is its net position.

**Hill City School District No 51-2**  
Management's Discussion and Analysis (MD&A)  
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**Changes in Net Position**

The District's revenues totaled \$8,737,485. This was an approximately 4.62% increase. Approximately 79% of the District's revenue comes from property and other taxes, with another 10% from operating grants. (See Table A-2.)

Table A-2  
Hill City School District No. 51-2  
Statement of Revenues  
Fiscal Year 2022-2023

Taxes	\$ 6,889,914	78.87%
Operating grants	840,817	9.62%
Federal sources	587,372	6.72%
State sources	197,008	2.25%
Charges for services	139,108	1.59%
Other general revenue	38,195	0.44%
Unrestricted investment sources	29,855	0.34%
Intermediate sources	<u>15,216</u>	<u>0.17%</u>
<b>Total Revenues</b>	<b><u>\$ 8,737,485</u></b>	<b><u>100.00%</u></b>

Total costs of all programs and service increased by approximately 12.77%. The District's expenses totaled \$6,781,090. The District's expenses cover a range of services, encompassing instruction, support services, interest on long term debt, co-curricular activities, food services, and fitness center. (See Table A-3.)

Table A-3  
Hill City School District No. 51-2  
Statement of Expenditures  
Fiscal Year 2022-2023

Instruction	\$ 3,725,854	54.94%
Support services	2,442,259	36.02%
Cocurricular activities	391,349	5.77%
Food service	173,738	2.56%
Interest on long-term debt	43,152	0.64%
Fitness center	4,227	0.06%
Community services	<u>511</u>	<u>0.01%</u>
<b>Total Expenditures</b>	<b><u>\$ 6,781,090</u></b>	<b><u>100.00%</u></b>

**Hill City School District No 51-2**  
**Management's 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 District.

Table A-4  
Hill City School District 51-2  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2022	2023	2022	2023	2022	2023	2022-2023
<b>Revenues</b>							
<b>Program Revenues</b>							
Charges for services	\$ 25,940	\$ 30,820	\$ 21,925	\$ 108,288	\$ 47,865	\$ 139,108	190.63%
Operating grants and contributions	853,817	724,210	306,800	116,607	1,160,617	840,817	-27.55%
<b>General Revenues</b>							
Taxes	6,290,315	6,889,914	--	--	6,290,315	6,889,914	9.53%
Revenue state sources	124,469	197,008	--	--	124,469	197,008	58.28%
Revenue federal sources	611,957	587,372	--	--	611,957	587,372	-4.02%
Revenue intermediate sources	17,205	15,216	--	--	17,205	15,216	-11.56%
Unrestricted investment earnings	250	29,855	--	--	250	29,855	11842.00%
Other general revenues	99,226	38,195	--	--	99,226	38,195	-61.51%
<b>Total Revenues</b>	<b>8,023,179</b>	<b>8,512,590</b>	<b>328,725</b>	<b>224,895</b>	<b>8,351,904</b>	<b>8,737,485</b>	<b>4.62%</b>
<b>Expenses</b>							
Instruction	3,191,769	3,725,854	--	--	3,191,769	3,725,854	16.73%
Support services	2,156,352	2,442,259	--	--	2,156,352	2,442,259	13.26%
Community services	493	511	--	--	493	511	3.65%
Cocurricular activities	373,593	391,349	--	--	373,593	391,349	4.75%
Interest on long-term debt	27,546	43,152	--	--	27,546	43,152	56.65%
Food service	--	--	254,769	173,738	254,769	173,738	-31.81%
Other enterprise activity	--	--	8,588	4,227	8,588	4,227	-50.78%
<b>Total Expenses</b>	<b>5,749,753</b>	<b>6,603,125</b>	<b>263,357</b>	<b>177,965</b>	<b>6,013,110</b>	<b>6,781,090</b>	<b>12.77%</b>
Increase in Net Position	2,273,426	1,909,465	65,368	46,930	2,338,794	1,956,395	-16.35%
Beginning Net Position	13,624,694	15,898,120	78,985	144,353	13,703,679	16,042,473	17.07%
Ending Net Position	<u>\$ 15,898,120</u>	<u>\$ 17,807,585</u>	<u>\$ 144,353</u>	<u>\$ 191,283</u>	<u>\$ 16,042,473</u>	<u>\$ 17,998,868</u>	12.20%

**Governmental Activities**

Revenues for the District's governmental activities are up \$489K, mainly due to property taxes and unrestricted investment earnings. Expenditures are up \$853K mainly in instruction and support services.

**Business-Type Activities**

Net position of the District's business-type activities increased \$46,930.

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

Overall, the governmental funds have increased approximately \$2 million in fund balance over last year. This was mainly due to a larger increase in revenue than in expenditures.

**Hill City School District No 51-2**  
Management's Discussion and Analysis (MD&A)  
June 30, 2023

**General Fund Budgetary Highlights**

Over the course of the year, the District School Board revised the District's budget several times. These amendments were supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.

**Capital Asset Administration**

By the end of 2023, the District had invested \$9,914,851 (net of depreciation/amortization) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5.) The capitalization threshold remains at \$25,000 for all improvements, \$50,000 for all buildings, \$5,000 for all equipment for governmental activities and \$5,000 for business type activities, and \$45,000 for intangible lease assets.

Table A-5  
Hill City School District - Capital Assets  
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2022	2023	2022	2023	2022-2023	2022-2023
Land and CIP	\$ 388,891	\$ 388,891	\$ --	\$ --	\$ --	0.00%
Buildings	8,222,568	8,148,867	--	--	(73,701)	-0.90%
Improvements other than buildings	290,460	406,450	--	--	115,990	28.54%
Machinery and equipment	473,640	451,902	3,212	2,548	(22,402)	-4.96%
Intangible lease assets	699,172	516,193	--	--	(182,979)	-35.45%
Total Capital Assets (Net)	<u>\$ 10,074,731</u>	<u>\$ 9,912,303</u>	<u>\$ 3,212</u>	<u>\$ 2,548</u>	<u>\$ (163,092)</u>	-1.65%

**Long-Term Debt**

At year-end, the District had \$1,047,402 in long-term obligations. This balance includes Capital outlay certificates, leases, direct borrowings, and accrued sick leave payable. See individual balances as shown on Table A-6 below:

Table A-6  
Hill City School District - Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total Percentage Change
	2022	2023	2022-2023	2022-2023
Capital outlay	\$ 1,229,538	\$ 489,769	\$ (739,769)	-60.17%
Direct borrowings	73,497	--	(73,497)	-100.00%
Leases	701,037	533,514	(167,523)	100.00%
Compensated absences	29,109	24,119	(4,990)	-17.14%
Total Outstanding Debt and Obligations	<u>\$ 2,033,181</u>	<u>\$ 1,047,402</u>	<u>\$ (985,779)</u>	-48.48%

The District is liable for the accrued sick leave payable to all staff. The accrual liability is reported as compensated absences in the above schedule and with the financial statements.

**Hill City School District No 51-2**  
Management's Discussion and Analysis (MD&A)  
June 30, 2023

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

The District's current economic position has shown little change. Local revenues have increased slightly due to increases in state and federal funding and slight increases in property values. No significant increases in revenues expected.

The District receives minimal state aid, so we rely on property taxes and national forest receipts to fund the budget. The District has continued to cut costs wherever possible to help maintain expenditures and increase the fund balance for the general fund.

The District's fall enrollment for the last three years has been as follows:

<u>Year</u>	<u>ADM</u>	<u>Percent (Decrease) in ADM</u>
2023	486	-3.19%
2022	502	3.08%
2021	487	5.41%

**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 Hill City School District's Business Office, 488 Main Street, Hill City, SD 57745.

**Hill City School District No 51-2**  
Statement of Net Position – Government-Wide  
June 30, 2023

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental</b>	<b>Business-Type</b>	
<b>Assets:</b>			
Cash and cash equivalents	\$ 8,243,402	\$ 192,555	\$ 8,435,957
Taxes receivable	3,592,630	--	3,592,630
Inventories	--	1,005	1,005
Other assets	565,044	4,803	569,847
Net Pension Asset	11,803	--	11,803
Capital assets:			
Land	388,891	--	388,891
Other capital assets, net of depreciation	9,523,412	2,548	9,525,960
<b>Total Assets</b>	<b>22,325,182</b>	<b>200,911</b>	<b>22,526,093</b>
<b>Deferred Outflows of Resources:</b>			
Pension-related deferred outflows	1,186,691	--	1,186,691
<b>Total Deferred Outflows of Resources</b>	<b>1,186,691</b>	<b>--</b>	<b>1,186,691</b>
<b>Liabilities:</b>			
Accounts payable	198,175	9	198,184
Other current liabilities	513,628	--	513,628
Unearned revenue	--	9,619	9,619
Noncurrent liabilities:			
Due within one year	678,205	--	678,205
Due in more than one year	369,197	--	369,197
<b>Total Liabilities</b>	<b>1,759,205</b>	<b>9,628</b>	<b>1,768,833</b>
<b>Deferred Inflows of Resources:</b>			
Property taxes levied for future periods	3,258,541	--	3,258,541
Pension related deferred inflows	686,542	--	686,542
<b>Total Deferred Inflows of Resources</b>	<b>3,945,083</b>	<b>--</b>	<b>3,945,083</b>
<b>Net Position:</b>			
Net investment in capital assets	8,840,782	2,548	8,843,330
Restricted for:			
Capital outlay	2,112,356	--	2,112,356
Special education	1,742,872	--	1,742,872
SDRS pension purposes	511,952	--	511,952
Unrestricted	4,599,623	188,735	4,788,358
<b>Total Net Position</b>	<b>\$ 17,807,585</b>	<b>\$ 191,283</b>	<b>\$ 17,998,868</b>

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



**Hill City School District No 51-2**  
Statement of Activities – Government-Wide  
June 30, 2023

Functions/Programs	Expenses	Net (Expenses) Revenues and Changes in Net Position				Total
		Program Revenues		Primary Government		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instruction	\$ 3,725,854	\$ --	\$ 724,210	\$ (3,001,644)	\$ --	\$ (3,001,644)
Support services	2,442,259	--	--	(2,442,259)	--	(2,442,259)
Community services	511	--	--	(511)	--	(511)
*Interest on Long-term Debt	43,152	--	--	(43,152)	--	(43,152)
Cocurricular Activities	391,349	30,820	--	(360,529)	--	(360,529)
<b>Total Governmental Activities</b>	<b>6,603,125</b>	<b>30,820</b>	<b>724,210</b>	<b>(5,848,095)</b>	<b>--</b>	<b>(5,848,095)</b>
Business-Type Activities:						
Food service	173,738	93,714	116,607	--	36,583	36,583
Fitness center	4,227	14,574	--	--	10,347	10,347
<b>Total Business-Type Activities</b>	<b>177,965</b>	<b>108,288</b>	<b>116,607</b>	<b>--</b>	<b>46,930</b>	<b>46,930</b>
<b>Total Primary Government</b>	<b>\$ 6,781,090</b>	<b>\$ 139,108</b>	<b>\$ 840,817</b>	<b>(5,848,095)</b>	<b>46,930</b>	<b>(5,801,165)</b>
General Revenues:						
Taxes:						
* The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.		Property taxes		6,814,197	--	6,814,197
		Gross receipts taxes		75,717	--	75,717
Revenue from State Sources:						
		State aid		197,008	--	197,008
Revenue from Federal Sources						
		Revenue from Intermediate Sources		15,216	--	15,216
Unrestricted Investment Earnings						
		Other General Revenues		38,195	--	38,195
		<b>Total General Revenues</b>		<b>7,757,560</b>	<b>--</b>	<b>7,757,560</b>
		Change in Net Position		1,909,465	46,930	1,956,395
		<b>Net Position - Beginning of Year</b>		<b>15,898,120</b>	<b>144,353</b>	<b>16,042,473</b>
		<b>Net Position - End of Year</b>		<b>\$ 17,807,585</b>	<b>\$ 191,283</b>	<b>\$ 17,998,868</b>

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

**Hill City School District No 51-2**  
Balance Sheet – Governmental Funds  
June 30, 2023

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 4,456,123	\$ 1,955,566	\$ 1,831,713	\$ 8,243,402
Taxes receivable, current	1,670,892	1,035,648	552,000	3,258,540
Taxes receivable, delinquent	203,289	85,850	44,951	334,090
Due from other governments	279,104	285,940	--	565,044
Total Assets	<u>\$ 6,609,408</u>	<u>\$ 3,363,004</u>	<u>\$ 2,428,664</u>	<u>\$ 12,401,076</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 55,454	\$ 129,150	\$ 13,571	\$ 198,175
Contracts payable	347,242	--	45,478	392,720
Payroll liabilities	87,281	--	29,791	117,072
Total Liabilities	<u>489,977</u>	<u>129,150</u>	<u>88,840</u>	<u>707,967</u>
<b>Deferred Inflows of Resources:</b>				
Property taxes levied for future periods	1,670,892	1,035,648	552,001	3,258,541
Unavailable revenue - property taxes	203,289	85,850	44,951	334,090
Total Deferred Inflows of Resources	<u>1,874,181</u>	<u>1,121,498</u>	<u>596,952</u>	<u>3,592,631</u>
<b>Fund Balances:</b>				
Restricted:				
For capital outlay	--	2,112,356	--	2,112,356
For special education	--	--	1,742,872	1,742,872
Assigned:				
For unemployment claims	4,000	--	--	4,000
Unassigned	4,241,250	--	--	4,241,250
Total Fund Balances	<u>4,245,250</u>	<u>2,112,356</u>	<u>1,742,872</u>	<u>8,100,478</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,609,408</u>	<u>\$ 3,363,004</u>	<u>\$ 2,428,664</u>	<u>\$ 12,401,076</u>

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

## Hill City School District No 51-2

### Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2023

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Total Fund Balances - Governmental Funds	\$ 8,100,478
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and, therefore, is not reported in the funds.	11,803
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	9,912,303
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	1,186,691
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
CO Certificates	(495,000)
Lease Liability	(533,514)
Accrued Leave	(24,119)
Assets, including property taxes receivable, grants receivable, and other receivables 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	334,090
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	(686,542)
Accrued interest is not due and payable in the current period and, therefore are not reported in the funds.	(3,836)
Unamortized discounts are immediately recognized as expenditures and other financing sources in the governmental funds.	<u>5,231</u>
Net Position - Governmental Activities	<u><u>\$ 17,807,585</u></u>

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

**Hill City School District No 51-2**  
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>Total Governmental Funds</u>
<b>Revenues</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 3,456,963	\$ 2,128,613	\$ 1,154,698	\$ 6,740,274
Prior years ad valorem taxes	12,051	6,413	3,569	22,033
Utility taxes	75,717	--	--	75,717
Penalties and interest on taxes	7,102	4,494	2,412	14,008
Earnings on investments and deposits	29,855	--	--	29,855
Cocurricular Activities:				
Admissions	30,820	--	--	30,820
Other Revenue from Local Sources:				
Rentals	600	--	--	600
Contributions and donations	3,031	--	--	3,031
Refund of prior year's expenditures	150	--	--	150
Other	8,920	--	--	8,920
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	15,216	--	--	15,216
Revenue in lieu of taxes	2,000	72	33	2,105
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	197,008	--	--	197,008
Restricted grants-in-aid	4,389	--	--	4,389
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received directly from federal government	441,031	--	--	441,031
Unrestricted grants-in-aid received from federal government through an intermediate source	146,341	--	--	146,341
Restricted grants-in-aid received from federal government through state	312,094	309,884	102,232	724,210
<b>Total Revenues</b>	<u>\$ 4,743,288</u>	<u>\$ 2,449,476</u>	<u>\$ 1,262,944</u>	<u>\$ 8,455,708</u>

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

## Hill City School District No 51-2

### Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds June 30, 2023 (Continued)

	General	Capital Outlay	Special Education	Total Governmental Funds
<b>Expenditures</b>				
Instructional Services:				
Regular Programs:				
Elementary	\$ 943,151	\$ 139,709	\$ --	\$ 1,082,860
Middle/junior high	505,950	61,538	--	567,488
High school	861,516	28,050	--	889,566
Special Programs:				
Educationally deprived	125,713	--	--	125,713
Programs for special education	--	8,835	677,426	686,261
Support Services:				
Students:				
Attendance and social work	900	--	--	900
Guidance	155,422	--	--	155,422
Health	--	--	11,690	11,690
Psychological	--	--	19,642	19,642
Speech pathology	--	--	92,979	92,979
Student therapy services	--	--	61,400	61,400
Instructional Staff:				
Improvement of instruction	16,848	--	--	16,848
Educational media	127,447	4,989	--	132,436
General Administration:				
Board of education	43,845	--	--	43,845
Executive administration	151,409	--	--	151,409
School Administration:				
Office of the principal	219,003	--	--	219,003
Business:				
Fiscal services	206,168	1,279	--	207,447
Facilities acquisition and construction	--	168,140	--	168,140
Operation and maintenance of plant	889,944	14,982	--	904,926
Student transportation	31,415	42,949	--	74,364
Internal services	22,833	--	--	22,833
Food services	--	16,021	--	16,021
Special education:				
Administrative costs	--	--	79,173	79,173
Debt Services	173,231	851,410	--	1,024,641
Cocurricular Activities:				
Male activities	89,316	16,357	--	105,673
Female activities	79,846	8,937	--	88,783
Combined activities	73,569	4,187	--	77,756
Transportation	38,729	--	--	38,729
Capital Outlay	--	405,023	--	405,023
Total Expenditures	4,756,255	1,772,406	942,310	7,470,971
Excess of Revenue Over (Under) Expenditures	(12,967)	677,070	320,634	984,737
<b>Other Financing Sources:</b>				
Inferfund transfers in	368,067	--	--	368,067
Interfund transfers (out)	--	(368,067)	--	(368,067)
Sale of surplus property	19,000	--	--	19,000
Total Other Financing Sources	387,067	(368,067)	--	19,000
Net Change in Fund Balances	374,100	309,003	320,634	1,003,737
<b>Fund Balance, Beginning of Year</b>	3,871,150	1,803,353	1,422,238	7,096,741
<b>Fund Balance, End of Year</b>	\$ 4,245,250	\$ 2,112,356	\$ 1,742,872	\$ 8,100,478

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

**Hill City School District No 51-2**  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in  
 Fund Balances to the Statement of Activities  
 June 30, 2023

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Net Change in Fund Balances - Total Governmental Funds	\$ 1,003,737
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financials statements but increase assets on the government wide statements.	405,023
This amount represents the current year depreciation/amortization expense reported in the statement of activities which is not reported on the fund financials statements because it does not require the use of current financial resources.	(567,451)
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.	986,020
Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated earned by employees are not recognized in the funds.	4,990
In both the government-wide and fund financial statement, revenues from property tax levies are applied to finance a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government wide statements in the fund financial statements require the amounts to be "available". The amount reflects the application of both the application period and "availability criteria".	37,882
Unamortized discounts associated with general obligation debt are recorded as expenditures or other financing sources in the governmental funds. However, these items are amortized over the life of the debt in the governmental activities. This is the amount by which the deferrals exceed amortization of unamortized discounts for the current period.	(5,231)
Accrued interest expense reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in the governmental funds.	700
Pension revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>43,795</u>
Change in net position of governmental activities	<u><u>\$ 1,909,465</u></u>

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

**Hill City School District No 51-2**  
Statement of Net Position – Proprietary Funds  
June 30, 2023

	<b>Food Service Fund</b>	<b>Other Enterprise Fund</b>	<b>Totals</b>
<b>Assets:</b>			
Current Assets:			
Cash and cash equivalents	\$ 151,418	\$ 41,137	\$ 192,555
Accounts receivable	4,803	--	4,803
Inventory of donated food	1,005	--	1,005
<b>Total Current Assets</b>	<b>157,226</b>	<b>41,137</b>	<b>198,363</b>
Noncurrent Assets:			
Machinery and equipment - local funds	140,943	--	140,943
Less accumulated depreciation	(138,395)	--	(138,395)
<b>Total Noncurrent Assets</b>	<b>2,548</b>	<b>--</b>	<b>2,548</b>
<b>Total Assets</b>	<b>\$ 159,774</b>	<b>\$ 41,137</b>	<b>\$ 200,911</b>
<b>Liabilities:</b>			
Current Liabilities:			
Accounts payable	\$ --	\$ 9	\$ 9
Unearned Revenue	9,619	--	9,619
<b>Total Current Liabilities</b>	<b>9,619</b>	<b>9</b>	<b>9,628</b>
<b>Total Liabilities</b>	<b>9,619</b>	<b>9</b>	<b>9,628</b>
<b>Net Position:</b>			
Net investment in capital assets	2,548	--	2,548
Unrestricted	147,607	41,128	188,735
<b>Total Net Position</b>	<b>\$ 150,155</b>	<b>\$ 41,128</b>	<b>\$ 191,283</b>

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

## Hill City School District No 51-2

### Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds June 30, 2023

	Food Service Fund	Other Enterprise Fund	Totals
<b>Operating Revenue:</b>			
Sales to Students	\$ 84,191	\$ --	\$ 84,191
Sales to Adults	2,403	--	2,403
Other	7,120	14,574	21,694
Total Operating Revenue	93,714	14,574	108,288
<b>Operating Expenses:</b>			
Personnel	--	3,182	3,182
Purchased services	--	345	345
Supplies	156,639	700	157,339
Cost of sales - purchased food	52	--	52
Cost of sales - donated food	16,057	--	16,057
Miscellaneous	326	--	326
Depreciation	664	--	664
Total Operating Expenses	173,738	4,227	177,965
Operating Income (Loss)	(80,024)	10,347	(69,677)
<b>Non Operating Revenues:</b>			
Investment Earnings	2,544	--	2,544
State Sources:			
Cash reimbursements	539	--	539
Federal Sources:			
Cash reimbursements	97,467	--	97,467
Donated food	16,057	--	16,057
Total Nonoperating Revenue	116,607	--	116,607
Change in Net Position	36,583	10,347	46,930
<b>Net Position - Beginning of Year</b>	113,572	30,781	144,353
<b>Net Position - End of Year</b>	\$ 150,155	\$ 41,128	\$ 191,283

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



**Hill City School District No 51-2**  
Statement of Cash Flows – Proprietary Funds  
June 30, 2023

	<b>Food Service Fund</b>	<b>Other Enterprise Fund</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities:</b>			
Receipts from customers	\$ 92,883	\$ 14,574	\$ 107,457
Payments to employees	--	(3,182)	(3,182)
Payments to suppliers	(157,017)	(1,036)	(158,053)
Net Cash Provided (Used) by Operating Activities	(64,134)	10,356	(53,778)
<b>Cash Flows from Noncapital Financing Activities:</b>			
Cash reimbursements - state	539	--	539
Cash reimbursements - federal	97,467	--	97,467
Net Cash Provided by Noncapital Financing Activities	98,006	--	98,006
<b>Cash Flows from Investing Activities:</b>			
Interest earnings	2,544	--	2,544
Net Cash Provided by Investing Activities	2,544	--	2,544
<b>Net Increase in Cash and Cash Equivalents</b>	36,416	10,356	46,772
<b>Cash and Cash Equivalents, Beginning of Year</b>	115,002	30,781	145,783
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 151,418</u>	<u>\$ 41,137</u>	<u>\$ 192,555</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ (80,024)	\$ 10,347	\$ (69,677)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation/amortization expense	664	--	664
Value of donated commodities used	16,057	--	16,057
Change in Assets and Liabilities:			
Receivables	(217)	--	(217)
Accounts and other payables	--	9	9
Other deferred inflows of resources	(614)	--	(614)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (64,134)</u>	<u>\$ 10,356</u>	<u>\$ (53,778)</u>
<b>Noncash Investing, Capital and Financing Activities:</b>			
Value of commodities received	<u>\$ 16,057</u>	<u>\$ --</u>	<u>\$ 16,057</u>

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

**Hill City School District No 51-2**  
Statement of Net Position – Fiduciary Funds  
June 30, 2023

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	<b>Private- Purpose Trust Funds</b>	<b>Custodial Funds</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 7,215	\$ 88,597
Total Assets	\$ 7,215	\$ 88,597
<b>Net Position:</b>		
Restricted for:		
Scholarships - Non-expendable	5,000	--
Scholarships - Expendable	2,215	--
Individuals, organizations, and other governments	--	88,597
Total Net Position	\$ 7,215	\$ 88,597

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

**Hill City School District No 51-2**  
Statement of Changes in Fiduciary Net Position – Fiduciary Funds  
June 30, 2023

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	<b>Private- Purpose Trust Funds</b>	<b>Custodial Funds</b>
<b>Additions:</b>		
Interest	\$ --	\$ 200
Collections for student activities	--	190,639
Total Additions	--	190,839
<b>Deductions:</b>		
Scholarships awarded	2,040	--
Payments for student activities	--	176,261
Total Deductions	2,040	176,261
Change in Net Position	(2,040)	14,578
<b>Net Position - Beginning</b>	9,255	74,019
<b>Net Position - Ending</b>	\$ 7,215	\$ 88,597

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

**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2023

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

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

a. Reporting Entity:

The reporting entity of Hill City School District No. 51-2 (the District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The District is a public education agency operating under the applicable laws and regulations of the State of South Dakota. It is governed by a five-member Board of Trustees (the Board) elected by registered voters of the District. The Board has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has accountability for fiscal matters. There are no component units included within the reporting entity.

The District participates in a cooperative service unit with several other School Districts. See Note 10 – Joint Venture for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit but are discussed in the notes because of the nature of their relationship with the 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 District as a whole. These statements include the financial activities of the overall government, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities.

These statements distinguish between the governmental and business-type activities of the District. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange 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 Positions are displayed in three components, as applicable: net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2023

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function of the 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, deferred inflows and outflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. Major individual governmental and proprietary funds are reported in separate columns.

c. Fund Types and Major Funds:

An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is a primary operating fund of the District or if it meets the following criteria:

1. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 District are described below within their respective fund types:

**Governmental Funds:**

General Fund – The General Fund is established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the District, excluding Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.

**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2023

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

Special Revenue Fund Types – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The District's special revenue funds are as follows:

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

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

**Proprietary Funds:**

Enterprise Fund Types – Enterprise funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises, where the focus of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis whether financed or recovered through user charges or grants; or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District's enterprise fund is as follows:

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 the fitness center. This fund is financed by user charges. This is not a major fund.

**Fiduciary Funds:**

Fiduciary Funds are never considered to be major funds.

Private-Purpose Trust Fund Types – Private-purpose trust funds are used to account for all trust arrangements under which principal and income benefits individuals, private organizations, or other governments. The District maintains several Scholarship Funds. The purpose of these funds is to provide scholarships to qualifying students.

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

**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2023

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

d. 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.

**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 District considers significant revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2023

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

Receivables, such as taxes receivable and grants receivable, 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. Reported deferred inflows of resources are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

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

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

e. Interfund Eliminations and Reclassifications:

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

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

f. Cash and Cash Equivalents:

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

g. Inventory:

Inventory is valued at the lower of cost or market. The cost valuation method is first-in, first-out for enterprise fund inventories and average cost for governmental fund inventories.

Donated commodities are valued at estimated market value based on the USDA price list at the date of receipt.

Inventory in the governmental funds and governmental activities consist of expendable supplies held for consumption. In the government-wide financial statements and governmental funds, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed. Inventories reported in the fund financial statement 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. Nonspendable fund balances related to inventory are reported net of the related liability (accounts payable). The governmental funds did not report any inventory balances as of June 30, 2023.



**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2023

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

h. 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' fiduciary net position have been determined on the same basis as they are reported by SDRS. District contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

i. Capital Assets:

Capital assets include land, buildings, improvements, 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 of 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. Interest costs incurred during construction of capital assets are not capitalized.

Capitalization thresholds (the dollar value above which individual asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide financial statements and proprietary funds are as follows:

	<b>Capitalization Threshold</b>	<b>Estimated Useful Life</b>
Land	All	--
Buildings	\$ 50,000	50 yrs
Improvements	\$ 25,000	10-20 yrs
Machinery and equipment	\$ 5,000	5-30 yrs
Intangible lease assets/SBITAs	\$ 45,000	5-30 yrs

Depreciation/amortization expense is calculated using the straight-line and composite methods. Depreciation/amortization of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities. Land is an inexhaustible capital asset and is not depreciated/amortized.

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.

**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2023

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

j. 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.

Government-Wide Financial Statements:

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. Long-term liabilities consist of compensated absences, capital outlay certificates payable, direct borrowings, and leases.

Compensated Absences Payable – Compensated absences payable is the annual leave earned by employees. Vacation leave is earned by 12 month- employees at varying rates depending on years of service. Sick leave is earned by the employees at the rate of one day for each month worked. Upon termination, employees are entitled to receive compensation for their accrued annual leave; employees are not entitled to compensation for sick leave balances. Accrued leave payable balances are reported in Note 5 as compensated absences. For employees normally paid out of the governmental funds, these amounts are charged as an expenditure at the time of termination or when the benefit becomes payable to the employees.

Fund Financial Statements:

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

k. Deferred Outflows/Inflows of Resources:

The District reports increases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The only deferred outflow of resources reported is a deferred amount arising from the District's pension plan for qualified retirees as discussed in Note 9.

The District's governmental funds report a separate section for deferred inflows of resources. This section reflects a decrease in net position that applies to a future period or periods. Under the modified accrual basis of accounting, governmental fund revenues are not recognized until available (collected no later than 60 days after the end of the District's fiscal year). The District reports the following as deferred inflows of resources in the governmental funds: property taxes levied but not collected within the available period; property taxes collected within the available period that are intended to finance the next fiscal year; and capital credits that are owed to the District but will be received at some point in the future. In the government-wide financial statements, the District reports deferred inflows of resources for property taxes levied for a future period and pension-related items. In the business-type activities, the District reports deferred inflows for pension-related items.

**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2023

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

I. Net Position and Fund Balance:

Government-Wide Financial Statements:

It is the 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 positions are available. Net position includes the following three components:

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 capital outlay certificates of other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted – 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.

Unrestricted – Represents all other net positions that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

Governmental fund equity is classed as fund balance, which is distinguished between the following classifications:

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted – Constraints are placed on the use of resources by either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts that are constrained by the District's intent to be used for specific purposes but are not restricted. Amounts can be assigned by committees of the School Board or management of the District.

Unassigned – Represents fund balance that has not been assigned to other funds and that has not been restricted or assigned.

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use assigned, then unassigned amounts of unrestricted fund balance when expenditures are made. The District does not have a minimum fund balance policy.

Proprietary net positions are classified the same as in the government-wide financial statements. Fiduciary funds equity is reported as restricted net position.

**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2023

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

m. Proprietary Fund Revenue and Expense Classifications:

In the proprietary fund Statement of Revenues, Expenses and Changes in Fund Net Position 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.

n. Program Revenues:

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

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.

Program Revenues – Operating Grants and Contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the use in a particular program.

Program Revenues – Capital Grants and Contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

o. Leases:

The School District is a lessee for a noncancellable lease of copiers and computers. 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 \$45,000 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.

**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2023

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

- 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.

p. 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. The School District recognizes subscription liabilities with an initial, individual value of \$45,000 or more.

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 subscription 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.

**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2023

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

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

**2. Deposits and Investments:**

The District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Statutes impose various restrictions on deposits and investments. These restrictions are summarized below:

Deposits – The 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.

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 District’s policy is to report deposits at cost plus interest and credit all income from investments to the fund making the investment with the exception of the general checking account whose interest income is credited to the General Fund.

Investments – In general, SDCL 4-5-6 permits school district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent. As of June 30, 2023, the District did not have any investments.

Certificates of deposit, with a term to maturity of greater than 3 months when purchased, when insured or collateralized and are considered deposits.

**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2023

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**2. Deposits and Investments: (Continued)**

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2023, the District’s deposits in financial institutions were not exposed to credit risk as all deposits were fully collateralize by pledged securities.

Credit Risk – State law limits eligible investments for the District, as discussed above. The District has no investment policy that would further limit its investment choices.

Concentrations of Credit Risk – The District places no limit on the amount that may be deposited with any one financial institution or invested with any one issuer.

Interest Rate Risk – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**3. Due from Other Governments:**

As of June 30, 2023, amounts due from other governments as reported in the financial statements consisted of the following:

SD Department of Education	<u>\$ 565,044</u>
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**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2023

**4. Changes in Capital Assets:**

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

	<b>Balance 7/1/2022</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 6/30/2023</b>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated/amortized:				
Land	\$ 388,891	\$ --	\$ --	\$ 388,891
Total capital assets not being depreciated/amortized	<u>388,891</u>	<u>--</u>	<u>--</u>	<u>388,891</u>
Capital assets being depreciated/amortized:				
Buildings	13,800,957	--	--	13,800,957
Improvements	917,800	129,701	--	1,047,501
Equipment	1,699,531	275,322	(14,595)	1,960,258
Intangible Lease Assets	882,151	--	--	882,151
Total capital assets being depreciated/amortized	<u>17,300,439</u>	<u>405,023</u>	<u>(14,595)</u>	<u>17,690,867</u>
Less accumulated depreciation/amortization for:				
Buildings	5,578,389	73,701	--	5,652,090
Equipment	1,225,891	282,465	--	1,508,356
Improvements	627,340	28,306	(14,595)	641,051
Intangible Lease Assets	182,979	182,979	--	365,958
Total accumulated depreciation/amortization	<u>7,614,599</u>	<u>567,451</u>	<u>(14,595)</u>	<u>8,167,455</u>
Total capital assets being depreciated/amortized, net	<u>9,685,840</u>	<u>(162,428)</u>	<u>--</u>	<u>9,523,412</u>
Net Capital Assets	<u>\$ 10,074,731</u>	<u>\$ (162,428)</u>	<u>\$ --</u>	<u>\$ 9,912,303</u>

Depreciation/amortization expense was charged to governmental functions as follows:

Instruction	\$ 422,751
Support services	63,781
Community services	511
Co-curricular activities	80,408
Total Depreciation/Amortization Expense	<u>\$ 567,451</u>



**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2023

**4. Changes in Capital Assets: (Continued)**

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

	<b>Balance 7/1/2022</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 6/30/2023</b>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Equipment	\$ 140,943	\$ --	\$ --	\$ 140,943
Less accumulated depreciation for:				
Less: Accumulated Depreciation	137,731	664	--	138,395
Total capital assets being depreciated, net	\$ 3,212	\$ (664)	\$ --	\$ 2,548

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	\$ 664

All depreciation expense related to the business-type activities was for the Food Service Fund.

**5. Long-Term Liabilities:**

The following is a summary of changes in long-term liabilities:

	<b>Balance 7/1/2022</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance 6/30/2023</b>	<b>Amounts Due Within 1 Year</b>
<b>Governmental Activities:</b>					
General Obligation Debt					
Capital Outlay					
Certificates	\$ 1,240,000	\$ --	\$ 745,000	\$ 495,000	\$ 495,000
Capital Outlay Certificates					
Discounts	(10,462)	--	(5,231)	(5,231)	--
Direct Borrowings	73,497	--	73,497	--	--
Leases	701,037	--	167,523	533,514	178,205
Subtotal	2,004,072	--	980,789	1,023,283	673,205
Other Liabilities:					
Compensated Absences	29,109	--	4,990	24,119	5,000
Total Long-term Liabilities	\$ 2,033,181	\$ --	\$ 985,779	\$ 1,047,402	\$ 678,205

**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2023

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

Capital outlay certificates and other general obligations at June 30, 2023 were comprised of the following:

2016 Capital Outlay Certificates, Bearing Interest at Fixed Rates Ranging from 0.80% to 1.55%, Due 06/30/2024	\$ 495,000
2016 Capital Outlay Certificates Discount	(5,231)
 Leases	
Century Business Copier Lease, interest rate 4%	
Monthly payments of \$1,425	16,822
Harlow Bus Contract, imputed interest rate of 3.25%	
Annual payments of \$167,373 increasing annually until FY26	516,692
	\$ 1,023,283

The annual debt service requirements to maturity for all long-term debt outstanding as of June 30, 2023, excluding compensated absences, are as follows:

Year Ending June 30,	General Obligation Debt	
	Principal	Interest
2024	\$ 495,000	\$ 3,836

Year Ending June 30,	Capital Lease	
	Principal	Interest
2024	\$ 178,205	\$ 17,320
2024	172,060	11,721
2025	183,249	6,045
Total Payments	\$ 533,514	\$ 35,086

Payments of all capital outlay certificates are made from the Capital Outlay fund. Compensated absence payments are made from the fund that the related payroll expenditures are charged.

**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2023

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**6. Restricted Net Position:**

The following table shows the components of restricted net position as presented on the Statement of Net Position:

Major Purposes	Restricted By	Total
Capital Outlay Purposes	State Law	\$ 2,112,356
Special Education Purposes	State Law	1,742,872
SDRS Pension Purposes	State Law	511,952
		\$ 4,367,180

**7. 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 District’s taxes and remits them to the District.

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

State statute allows the General Fund tax rates to be increased by special election of the voters.

**8. Interfund Transfers:**

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

\$368,067 Transfer from the capital outlay fund to cover the expenditures in the general fund for insurance, utilities, and fuel.

**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2023

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**9. Pension Plan:**

a. Plan Information:

All employees working more than 20 hours per week during the school year participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivors' benefits. The right to receive retirement benefits vest after three years of credited service. Authority for establishing, administering, and amending plan provisions are found in South Dakota Codified Law 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, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

b. Benefits Provided:

SDRS has four 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.

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

**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2023

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

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 Adjustment.

c. Contributions:

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

<u>Year</u>	<u>Amount</u>
2023	\$ 192,867
2022	178,937
2021	175,806

**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2023

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

d. Pension Liabilities (Assets), Pension Expense (Revenue), 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 the South Dakota Retirement System, for the School District as of the measurement period ending June 30, 2022 and reported by the District as of June 30, 2023 are as follows:

Proportionate share of pension liability	\$ 17,630,810
Less proportionate share of net pension restricted for pension benefits	17,642,613
Proportionate share of net pension liability (asset)	\$ (11,803)

At June 30, 2023, the District reported a liability (asset) of (\$11,803) for its proportionate share of the net pension (asset). The net pension liability (asset) was measured as of June 30, 2022 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022 the District's proportion was 0.12489400%, which is a decrease of (0.0077501%) from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023 , the District recognized reduction of pension expense of (\$43,795). At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference Between Expected and Actual Experience	\$ 224,684	\$ 766
Changes in Assumption	750,179	657,432
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	--	28,286
Changes in Proportion and Difference Between School District Contributions and Proportionate Share of Contributions	18,931	58
District Contributions Subsequent to the Measurement Date	192,897	--
Total	\$ 1,186,691	\$ 686,542

**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2023

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

\$192,897 reported as deferred outflow of resources related to pensions resulting from 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 revenue as follows:

<u>Year Ended June 30,</u>	
2024	\$ 91,052
2025	166,718
2026	(185,090)
2027	<u>234,572</u>
Total	<u>\$ 307,252</u>

e. 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 Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%.
Future COLAs	2.10%

**Mortality Rates:**

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

**Active and Terminated Vested Members:**

- Teachers, Certified Regents, and Judicial: PubT-2010
- Other Class A Members: PubG-2010
- Public Safety Members: PubS-2010

**Retired Members:**

- Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
- Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
- Public Safety Retirees: PubS-2010, 102% of rates at all ages

**Beneficiaries:**

- PubG-2010 contingent survivor mortality table

**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2023

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

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

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

<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%</u>	

f. Discount Rate:

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



**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2023

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
School Districts proportionate share of the net pension liability (asset)	\$ 2,450,840	\$ (11,803)	\$ (2,024,433)

h. Pension Plan Fiduciary Net Position:

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

**10. Joint Venture:**

The District participates in the Black Hills Special Services Cooperative (the Co-op), a cooperative service unit formed for the purpose of providing special education and other services to the member school districts. During the year ended June 30, 2023, the district paid \$3,000 for services provided by the Co-op.

The members of the Co-op and their relative percentage participation in the Co-op are as follows:

Belle Fourche School District	8.33%	Hot Springs School District	8.33%
Custer School District	8.33%	Lead/Deadwood School District	8.33%
Douglas School District	8.33%	Meade School District	8.33%
Edgemont School District	8.33%	Oelrichs School District	8.33%
Haakon School District	8.33%	Rapid City School District	8.33%
Hill City School District	8.33%	Spearfish School District	8.33%

The Co-op's governing board is comprised of one representative, a school Board member, from each member school district. The Board is responsible for adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The District retains no equity in the net position of the Co-op but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation described above.

Separate financial statements may be obtained by writing to BHSSC, PO Box 218, Sturgis SD 57785.

At June 30, 2023, this joint venture had assets of \$11,674,885, deferred inflows of \$1,683,371, liabilities of \$2,459,678, and net position of \$7,941,517 (unaudited).

**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2023

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**11. Risk Management:**

The 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 District managed its risks as follows:

Employee Health Insurance:

The District purchases health insurance for its employees from a commercial insurance carrier. The plan provides either a deductible of \$1,500 per person or \$4,500 per family, or a deductible of \$2,000 per person up to \$6,000 per family with the use of a health savings account. The District pays varying premiums based on the deductible selected. The coverage also includes a \$2,000,000 lifetime maximum payment per person.

Liability Insurance:

The District purchases insurance for risks related to torts, theft or damage to property, general liability, and errors and omissions of public officials from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage for the last three years.

Workers' Compensation:

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

Unemployment Benefits:

The District has elected to be self-insured and retain all risk for liabilities resulting in claims for unemployment benefits. The District has assigned funds in the General Fund in the amount of \$4,000 for the payment of future unemployment benefits.

During the year ended June 30, 2023, no claims were filed for unemployment benefits. At June 30, 2023, no claims were outstanding. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

**12. Concentrations:**

The District is dependent upon grant revenues, property taxes and operating revenues from the State of South Dakota for its primary existence.

**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2023

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**13. Violations of Finance-Related Legal and Contractual Provisions:**

The District is prohibited by statute from spending in excess of appropriated amounts at the fund level. Significant overdrafts of expenditures compared to appropriations were \$92,081 in the capital outlay fund.

**14. Subsequent Events:**

Management has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

## **Required Supplementary Information**

## Hill City School District No 51-2

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis  
June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 3,115,500	\$ 3,115,500	\$ 3,456,963	\$ 341,463
Prior years ad valorem taxes	20,000	20,000	12,051	(7,949)
Utility taxes	60,000	60,000	75,717	15,717
Penalties and interest on taxes	12,500	12,500	7,102	(5,398)
Cocurricular Activities:				
Admissions	28,000	28,000	30,820	2,820
Other Local Revenue:				
Rentals	1,500	1,500	600	(900)
Contributions and donations	10,000	10,000	3,031	(6,969)
Refund of prior year's expenditures	--	--	150	150
Charges for services	2,500	2,500	--	(2,500)
Other	20,000	20,000	8,920	(11,080)
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	15,000	15,000	15,216	216
Revenue in lieu of taxes	1,000	1,000	2,000	1,000
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	384,000	384,000	197,008	(186,992)
Restricted grants-in-aid	2,000	2,000	4,389	2,389
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through an intermediate source	120,000	120,000	146,341	26,341
Restricted grants-in-aid received from federal government through state	332,767	332,767	312,094	(20,673)
Other Federal Revenue	15,000	15,000	--	(15,000)
Total Revenues	<u>\$ 4,139,767</u>	<u>\$ 4,139,767</u>	<u>\$ 4,272,402</u>	<u>\$ 132,635</u>

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

## Hill City School District No 51-2

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis  
June 30, 2023 (Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Expenditures</b>				
Instructional Services:				
Regular Programs:				
Elementary	\$ 1,123,529	\$ 1,123,529	\$ 943,151	\$ 180,378
Middle/junior high	526,741	526,741	505,950	20,791
High school	712,691	712,691	861,516	(148,825)
Special Programs:				
Educationally deprived	91,859	91,859	125,713	(33,854)
Support Services:				
Students:				
Attendance and social work	177	177	900	(723)
Guidance	178,549	178,549	155,422	23,127
Health	4,000	4,000	--	4,000
Instructional Staff:				
Improvement of instruction	19,500	19,500	16,848	2,652
Educational media	148,505	148,505	127,447	21,058
General Administration:				
Board of education	60,074	60,074	43,845	16,229
Executive administration	154,862	154,862	151,409	3,453
School Administration:				
Office of the principal	216,542	216,542	219,003	(2,461)
Business:				
Fiscal services	200,492	200,492	206,168	(5,676)
Operation and maintenance of plant	902,582	902,582	889,944	12,638
Student transportation	244,400	244,400	31,415	212,985
Internal services	45,000	45,000	22,833	22,167
Debt Services	--	--	173,231	(173,231)
Cocurricular Activities:				
Male activities	53,211	53,211	89,316	(36,105)
Female activities	81,780	81,780	79,846	1,934
Combined activities	127,242	127,242	73,569	53,673
Transportation	74,200	74,200	38,729	35,471
Contingencies	150,000	150,000	--	150,000
Total Expenditures	<u>5,115,936</u>	<u>5,115,936</u>	<u>4,756,255</u>	<u>359,681</u>
Excess of Revenue Over (Under) Expenditures	<u>(976,169)</u>	<u>(976,169)</u>	<u>(483,853)</u>	<u>492,316</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	809,098	809,098	809,098	--
Transfers (out)	--	--	--	--
Sale of surplus property	--	--	19,000	19,000
Total Other Financing Sources (Uses):	<u>809,098</u>	<u>809,098</u>	<u>828,098</u>	<u>19,000</u>
Net Change in Fund Balances	(167,071)	(167,071)	344,245	511,316
<b>Fund Balance, Beginning of Year</b>	<u>2,033,861</u>	<u>2,033,861</u>	<u>2,033,861</u>	<u>--</u>
<b>Fund Balance, End of Year</b>	<u>\$ 1,866,790</u>	<u>\$ 1,866,790</u>	<u>\$ 2,378,106</u>	<u>\$ 511,316</u>

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

## Hill City School District No 51-2

### Required Supplementary Information – Budgetary Comparison Schedule – Capital Outlay Fund – Budgetary Basis June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,629,021	\$ 1,629,021	\$ 2,128,613	\$ 499,592
Prior year ad valorem taxes	9,000	9,000	6,413	(2,587)
Penalties and interest on taxes	4,000	4,000	4,494	494
Revenue from Intermediate Sources:				
Revenue in lieu of taxes	6,000	6,000	72	(5,928)
Revenue from Federal Sources:				
Restricted grants-in-aid from federal government through state	45,000	45,000	309,884	264,884
Total Revenues	1,693,021	1,693,021	2,449,476	756,455
<b>Expenditures</b>				
Instructional Services:				
Elementary	20,000	91,381	139,709	(48,328)
Middle school	20,000	74,855	61,538	13,317
High school	35,000	35,000	28,050	6,950
Special Programs:				
Programs for special education	5,000	5,000	8,835	(3,835)
Support Services:				
Instructional staff:				
Educational media	75,000	75,000	4,989	70,011
Business:				
Fiscal Services	3,500	3,500	1,279	2,221
Facilities acquisition and construction	50,000	259,701	211,115	48,586
Operation and maintenance of plant	125,000	267,100	316,600	(49,500)
Student transportation services	67,300	67,300	42,949	24,351
Food service	--	--	16,021	(16,021)
Internal services	20,000	20,000	--	20,000
Special education:				
Transportation costs	--	--	60,430	(60,430)
Debt Services	757,988	757,988	851,410	(93,422)
Cocurricular Activities:				
Male activities	4,000	4,000	16,357	(12,357)
Female activities	2,500	2,500	8,937	(6,437)
Combined activities	17,000	17,000	4,187	12,813
Total Expenditures	1,202,288	1,680,325	1,772,406	(92,081)
Excess of Revenue Over (Under)				
Expenditures	490,733	12,696	677,070	664,374
<b>Other Financing Sources (Uses):</b>				
Transfer (out)	(368,067)	(368,067)	(368,067)	--
Total Other Financing Sources (Uses)	(368,067)	(368,067)	(368,067)	--
Net Change in Fund Balances	122,666	(355,371)	309,003	664,374
<b>Fund Balance, Beginning of Year</b>	1,803,353	1,803,353	1,803,353	--
<b>Fund Balance, End of Year</b>	\$ 1,926,019	\$ 1,447,982	\$ 2,112,356	\$ 664,374

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

**Hill City School District No 51-2**  
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>		
<b>Revenues</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,036,000	\$ 1,036,000	\$ 1,154,698	\$ 118,698
Prior years' ad valorem taxes	7,000	7,000	3,569	(3,431)
Penalties and interest on taxes	3,000	3,000	2,412	(588)
Revenue from Intermediate Sources:				
Revenue in lieu of taxes	--	--	33	33
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through state	<u>77,672</u>	<u>77,672</u>	<u>102,232</u>	<u>24,560</u>
Total Revenues	<u>1,123,672</u>	<u>1,123,672</u>	<u>1,262,944</u>	<u>139,272</u>
<b>Expenditures</b>				
Instructional Services:				
Special Programs:				
Programs for special education	682,582	682,582	677,426	5,156
Support Services:				
Students:				
Health	8,500	8,500	11,690	(3,190)
Psychological	43,000	43,000	19,642	23,358
Speech pathology	90,000	90,000	92,979	(2,979)
Student therapy services	95,000	95,000	61,400	33,600
Orientation and mobility services	500	500	--	500
Business:				
Student transportation services	1,000	1,000	--	1,000
Special Education:				
Administration costs	89,709	89,709	79,173	10,536
Transportation costs	<u>500</u>	<u>500</u>	<u>--</u>	<u>500</u>
Total Expenditures	<u>1,010,791</u>	<u>1,010,791</u>	<u>942,310</u>	<u>68,481</u>
Excess of Revenues Over (Under) Expenditures	<u>112,881</u>	<u>112,881</u>	<u>320,634</u>	<u>207,753</u>
Net Change in Fund Balance	112,881	112,881	320,634	207,753
<b>Fund Balance, Beginning of Year</b>	<u>1,422,238</u>	<u>1,422,238</u>	<u>1,422,238</u>	<u>--</u>
<b>Fund Balance, End of Year</b>	<u>\$ 1,535,119</u>	<u>\$ 1,535,119</u>	<u>\$ 1,742,872</u>	<u>\$ 207,753</u>

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



**Hill City School District No 51-2**  
Notes to the Required Supplementary Information  
June 30, 2023

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**Note 1 – Basis of Presentation:**

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

**Note 2 – Budgets And Budgetary Accounting:**

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

1. Prior to the first regular board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except Trust and Agency funds.
6. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted except as indicated in number (8).
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets when monies are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school Board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds. Generally accepted accounting principles prescribe that budgetary information be presented for the General Fund and major special revenue funds of the District.

**Hill City School District No 51-2**  
Notes to the Required Supplementary Information  
June 30, 2023 (Continued)

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11. The following reconciles the USGAAP basis balance to the budgetary basis fund balance:

	<b>Year Ended 6/30/2023</b>
<u>General Fund</u>	
USGAAP Basis Fund Balance	\$ 4,245,250
Reconciling Items:	
Impact Aid Fund Balance	<u>1,867,144</u>
Budgetary Basis Fund Balance	<u><u>\$ 2,378,106</u></u>

**Hill City School District No 51-2**

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)	0.1248940%	0.1290910%	0.1326441%	0.1387418%	0.1563179%	0.1618340%	0.1642107%	0.1667829%	0.1769504%
District's proportionate share of net pension liability (asset)	\$ (11,803)	\$ (988,616)	\$ (5,761)	\$ (14,703)	\$ (3,646)	\$ (14,687)	\$ 554,688	\$ (707,374)	\$ (1,274,855)
District's covered-employee payroll	\$ 2,982,284	\$ 2,931,093	\$ 2,965,290	\$ 2,949,937	\$ 3,244,769	\$ 3,287,678	\$ 3,076,550	\$ 3,060,634	\$ 3,060,634
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.40%	33.73%	0.19%	0.50%	0.11%	0.45%	18.03%	23.11%	41.65%
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%	107.29

\*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is June 30 of the previous fiscal year.

\*\*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

**Hill City School District No 51-2**  
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>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually-required contribution	\$ 192,897	\$ 178,937	\$ 175,806	\$ 175,482	\$ 176,996	\$ 194,686	\$ 197,288	\$ 184,593	\$ 183,638
Contributions in relation to the contractually-required contribution	<u>192,897</u>	<u>178,937</u>	<u>175,806</u>	<u>175,482</u>	<u>176,996</u>	<u>194,686</u>	<u>197,288</u>	<u>184,593</u>	<u>183,638</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 3,214,928	\$ 2,982,284	\$ 2,931,093	\$ 2,965,290	\$ 2,949,937	\$ 3,244,769	\$ 3,287,678	\$ 3,076,550	\$ 3,060,634
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

\*\*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

**Hill City School District No 51-2**  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2023

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**Changes from Prior Valuation**

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

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

**Benefit Provision Changes**

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

**Actuarial Assumption Changes**

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

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

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

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

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

**Hill City School District No 51-2**  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2023 (Continued)

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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

**Hill City School District No 51-2**  
Schedule of Expenditures of Federal Awards  
June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Agriculture:</b>			
Pass through the S.D Department of Education			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	NSLP-17-139	\$ 2,713
Cash Assistance:			
School Breakfast Program (Note 4)	10.553		20,626
National School Lunch Program (Note 4)	10.555	NSLP-17-139	90,185
Total Child Nutrition Cluster			<u>113,524</u>
Other Programs:			
Forest Service Schools and Roads Cluster:			
Schools and Roads - Grants to States	10.665		146,341
Total U.S. Department of Agriculture			<u>259,865</u>
<b>U.S. Department of Education:</b>			
Impact Aid	84.041		441,031
Pass through the S.D. Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A170041	123,321
Supporting Effective Instruction State Grant	84.367	S367A170039	26,251
School Support and Academic Enrichment Grants	84.425		8,521
Elementary and Secondary School Emergency Relief Fund	84.425D		50,754
American Rescue Plan Emelentary and Secondary School Emergency Relief	84.425U		413,131
Special Education Cluster:			
Special Education Grants to States	84.027	H027A270091	102,232
Total Special Education Cluster			<u>102,232</u>
Total U.S. Department of Education			<u>1,165,241</u>
Grand Total			<u>\$ 1,425,106</u>



**Hill City School District No 51-2**  
Schedule of Expenditures of Federal Awards  
June 30, 2023 (Continued)

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**1. Basis of Presentation:**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Hill City School District No. 51-2 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 Hill City School District No. 51-2, it is not intended to and does not present the financial position, changes in net position, or cash flows of Hill City School District No. 51-2.

**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.

**3. Indirect Cost Rate:**

Hill City School District does not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**4. Federal Reimbursements:**

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

**Hill City School District No 51-2**

School District Officials

June 30, 2023

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Carmen Ronish----- President  
Angela Ross-----Vice President  
Eric Lind ----- Member  
Rob Timm ----- Member  
Todd Grabow----- Member

Blake Gardner-----Superintendent

Cassandra Ott-----Business Manager