

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

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

**For the Year Ended  
June 30, 2021**

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 the 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, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Hill City School District No. 51-2's basic financial statements and have issued our report thereon dated November 16, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Hill City School District No. 51-2'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 Hill City School District No. 51-2's internal control. Accordingly, we do not express an opinion on the effectiveness of Hill City School District No. 51-2'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 reasonably possibility that a material misstatement of the entity'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 therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001 to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Hill City School District No. 51-2's financial statements are free from material misstatements, 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*.

## **Hill City School District No. 51-2's Response to Findings**

Hill City School District No. 51-2's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Hill City School District No. 51-2's response was not subjected to the 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 Hill City School District No. 51-2's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hill City School District No. 51-2's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "CLO Prof LLC".

Huron, South Dakota  
November 16, 2021



**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**

We have audited Hill City School District No. 51-2’s, South Dakota 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 Hill City School District’s major federal programs for the year ended June 30, 2021. Hill City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management’s Responsibility**

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

**Auditor’s Responsibility**

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

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

## Opinion on Each Major Federal Program

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

## Report on Internal Control Over Compliance

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

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

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

## Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. However, 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  
November 16, 2021

**Hill City School District No 51-2**  
 Schedule of Current Audit Findings and Questioned Costs  
 June 30, 2021

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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 identified:	Yes
Significant deficiencies identified not considered to be material weaknesses:	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major program:	
Material weakness identified:	No
Significant deficiencies identified not considered to be material weaknesses:	No
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major program:

<b><u>Name of Federal Program</u></b>	<b><u>CFDA Number</u></b>
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Coronavirus Relief Fund	21.019
ESSER I & II	84.425D

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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**Hill City School District No 51-2**  
Schedule of Current Audit Findings and Questioned Costs  
June 30, 2021 (Continued)

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**Finding 2021-001**

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, 2021. 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.



**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 2020-001**

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, 2020. 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, 2021.

Name and address of independent public accounting firm:

ELO Prof. LLC  
PO Box 951  
Huron, SD 57350

Findings - Financial Statement Audit

#### **Finding 2021-001**

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, 2021. 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 Anjar Voorhees, Business Manager, at 605-574-3030.



## Independent Auditor's Report

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

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 Hill City School District No. 51-2 as of and for the year ended June 30, 2021 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.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Hill City School District No. 51-2 as of June 30, 2021, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Emphasis of Matter**

As discussed in Note 14 to the financial statements, in 2021, the School District adopted Government Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, which has resulted in a restatement of the net position as of July 1, 2020. Our opinions are not modified with respect to this matter.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), Budgetary Comparison Schedules, the Schedule Proportionate Share of the Net Pension Liability (Asset), and Schedule of District's Contributions as listed in the table on contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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 Hill City School District's financial statements. The Schedule of Expenditures of Federal Awards, which is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2021, on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Handwritten signature in cursive script that reads "CIO of LLC".

Huron, South Dakota  
November 16, 2021

**Hill City School District No 51-2**  
Management's Discussion and Analysis (MD&A)  
June 30, 2021

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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, 2021. Please read it in conjunction with the District's financial statements, which follow this section.

**Financial Highlights**

- During the 20-21 year, the District's revenues of \$7,425,927 generated from taxes and other revenues of the governmental and business-type programs were \$755,058 more than the \$6,670,869 in governmental and business-type program expenditures. Mainly due to increased tax revenue and state sources.
- 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 2021.
- The total cost of the District's programs decreased by 1.08%.

**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, 2021**

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, 2021

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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.

The School has three kinds of funds:

- **Governmental Funds** – Most of the District's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund's statements, or on the subsequent page, that explains the relationship (or differences) between them.



**Hill City School District No 51-2**  
Management's Discussion and Analysis (MD&A)  
June 30, 2021

- 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.

**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
	2020	2021	2020	2021	2020	2021	Change
Current and Other Assets	\$ 8,450,900	\$ 9,679,799	\$ 53,081	\$ 87,222	\$ 8,503,981	\$ 9,767,021	14.85%
Capital Assets (Net of Depreciation)	9,503,932	9,321,412	5,096	4,154	9,509,028	9,325,566	-1.93%
Total Assets	<u>17,954,832</u>	<u>19,001,211</u>	<u>58,177</u>	<u>91,376</u>	<u>18,013,009</u>	<u>19,092,587</u>	5.99%
Pension Related Deferred Outflows	817,319	969,793	16,680	19,792	833,999	989,585	18.66%
Total Deferred Outflows of Resources	<u>817,319</u>	<u>969,793</u>	<u>16,680</u>	<u>19,792</u>	<u>833,999</u>	<u>989,585</u>	18.66%
Long-Term Liabilities Outstanding	2,740,599	2,132,093	1,308	--	2,741,907	2,132,093	-22.24%
Other Liabilities	505,793	689,532	7,783	17,126	513,576	706,658	37.60%
Total Liabilities	<u>3,246,392</u>	<u>2,821,625</u>	<u>9,091</u>	<u>17,126</u>	<u>3,255,483</u>	<u>2,838,751</u>	-12.80%
Taxes Levied for Future Period	2,534,222	2,977,714	--	--	2,534,222	2,977,714	17.50%
Pension and OPEB Related Deferred Inflows	293,537	737,817	5,991	15,057	299,528	752,874	151.35%
Total Deferred Inflows of Resources	<u>2,827,759</u>	<u>3,715,531</u>	<u>5,991</u>	<u>15,057</u>	<u>2,833,750</u>	<u>3,730,588</u>	31.65%
Net Position							
Net Investment in Capital Assets	6,732,419	7,157,441	5,096	4,154	6,737,515	7,161,595	6.29%
Restricted	2,767,757	2,680,478	10,983	4,850	2,778,740	2,685,328	-3.36%
Unrestricted	3,197,824	3,595,929	43,696	69,981	3,241,520	3,665,910	13.09%
Total Net Position	<u>12,698,000</u>	<u>13,433,848</u>	<u>59,775</u>	<u>78,985</u>	<u>12,757,775</u>	<u>13,512,833</u>	5.92%
Beginning Net Position	<u>12,202,882</u>	<u>12,698,000</u>	<u>63,084</u>	<u>59,775</u>	<u>12,265,966</u>	<u>12,757,775</u>	4.01%
Increase (Decrease) in Net Position	<u>\$ 495,118</u>	<u>\$ 735,848</u>	<u>\$ (3,309)</u>	<u>\$ 19,210</u>	<u>\$ 491,809</u>	<u>\$ 755,058</u>	
Percentage of Increase (Decrease) in Net Position	4.06%	5.79%	-5.25%	32.14%	4.01%	5.92%	

The District's combined net position increased as follows: The District's combined net position of approximately \$13.5 million is approximately \$755 thousand or 5.92% more than on June 30, 2020.

**Hill City School District No 51-2**  
Management's Discussion and Analysis (MD&A)  
June 30, 2021

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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.

**Changes in Net Position**

The District's revenues totaled \$7,425,927. (See Table A-4.) This was an approximately 2.63% increase. Approximately 77.43% of the District's revenue comes from property and other taxes, with another 1.62% from state aid. (See Table A-2.)

Table A-2  
Hill City School District No. 51-2  
Statement of Revenues  
Fiscal Year 2020-2021

Taxes	\$ 5,749,923	77.43%
Federal sources	723,553	9.74%
Operating grants	691,443	9.31%
State sources	120,291	1.62%
Other general revenue	68,217	0.92%
Charges for services	57,518	0.77%
Intermediate sources	14,742	0.20%
Unrestricted investment sources	240	0.01%
<b>Total Revenues</b>	<b>\$ 7,425,927</b>	<b>100.00%</b>

Total costs of all programs and service decreased by approximately 1.08%. The District's expenses totaled \$6,670,869. (See Table A-4.) 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 2020-2021

Instruction	\$ 3,548,317	53.19%
Support services	2,524,265	37.84%
Cocurricular activities	317,653	4.76%
Food service	232,845	3.49%
Interest on long-term debt	40,440	0.61%
Fitness center	7,023	0.10%
Community services	326	0.01%
<b>Total Expenditures</b>	<b>\$ 6,670,869</b>	<b>100.00%</b>

**Hill City School District No 51-2**  
Management's Discussion and Analysis (MD&A)  
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**Governmental and Business-Type Activities**

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

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2020	2021	2020	2021	2020	2021	2020-2021
Revenues							
Program Revenues:							
Charges for services	\$ 29,373	\$ 27,248	\$ 100,234	\$ 30,270	\$ 129,607	\$ 57,518	-55.62%
Operating grants and contributions	183,841	462,635	159,543	228,808	343,384	691,443	101.36%
General Revenues:							
Taxes	5,892,499	5,749,923	--	--	5,892,499	5,749,923	-2.42%
Revenue state sources	101,524	120,291	--	--	101,524	120,291	18.49%
Federal state sources	601,325	723,553	--	--	601,325	723,553	20.33%
Revenue Intermediate Sources	18,061	14,742	--	--	18,061	14,742	-18.38%
Unrestricted investment earnings	5,308	240	--	--	5,308	240	-95.48%
Other general revenues	144,088	68,217	--	--	144,088	68,217	-52.66%
Total Revenues	<u>6,976,019</u>	<u>7,166,849</u>	<u>259,777</u>	<u>259,078</u>	<u>7,235,796</u>	<u>7,425,927</u>	2.63%
Expenses							
Instruction	3,461,531	3,548,317	--	--	3,461,531	3,548,317	2.51%
Support services	2,633,300	2,524,265	--	--	2,633,300	2,524,265	-4.14%
Community services	322	326	--	--	322	326	1.24%
Cocurricular activities	348,376	317,653	--	--	348,376	317,653	-8.82%
Interest on long-term debt	35,822	40,440	--	--	35,822	40,440	12.89%
Food service	--	--	257,609	232,845	257,609	232,845	-9.61%
Other enterprise activity	--	--	7,027	7,023	7,027	7,023	-0.06%
Total Expenses	<u>6,479,351</u>	<u>6,431,001</u>	<u>264,636</u>	<u>239,868</u>	<u>6,743,987</u>	<u>6,670,869</u>	-1.08%
Transfers	(1,550)	--	1,550	--	--	--	0.00%
Increase (Decrease) in Net Position	495,118	735,848	(3,309)	19,210	491,809	755,058	53.53%
Beginning Net Position	<u>12,202,882</u>	<u>12,698,000</u>	<u>63,084</u>	<u>59,775</u>	<u>12,265,966</u>	<u>12,757,775</u>	4.01%
Ending Net Position	<u>\$ 12,698,000</u>	<u>\$ 13,433,848</u>	<u>\$ 59,775</u>	<u>\$ 78,985</u>	<u>\$ 12,757,775</u>	<u>\$ 13,512,833</u>	5.92%

**Governmental Activities**

Revenues for the District's governmental activities are up \$190K, mainly due to taxes. Expenditures are down \$48K mainly in support services.

**Business-Type Activities**

Net position of the District's business-type activities increased \$19,210.

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

Overall, the governmental funds have increased approximately \$735,000 in net position over last year. This was mainly due to the increase in operating grants and contributions.

**Hill City School District No 51-2**  
Management's Discussion and Analysis (MD&A)  
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**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 2021, the District had invested \$9,321,412 (net of depreciation) 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, and \$5,000 for all equipment for governmental activities and \$5,000 for business type activities.

Table A-5  
Hill City School District - Capital Assets  
(net of depreciation)

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2020	2021	2020	2021	2020-2021	2020-2021
Land and CIP	\$ 388,891	\$ 388,891	\$ --	\$ --	\$ --	0.00%
Buildings	8,787,496	8,505,032	--	--	(282,464)	-3.32%
Improvements other than buildings	254,647	223,952	--	--	(30,695)	-13.71%
Machinery and equipment	72,898	203,537	5,096	4,154	129,697	63.72%
Total Capital Assets (Net)	<u>\$ 9,503,932</u>	<u>\$ 9,321,412</u>	<u>\$ 5,096</u>	<u>\$ 4,154</u>	<u>\$ (183,462)</u>	-1.97%

**Long-Term Debt**

At year-end, the District had \$2,132,093 in long-term obligations. This balance includes Capital outlay certificates 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
	2020	2021	2020-2021	2020-2021
Capital outlay	\$ 2,497,538	\$ 1,956,038	\$ (541,500)	-21.68%
Capital leases	212,147	144,177	(67,970)	0.00%
Compensated absences	30,914	31,878	964	3.12%
Total Outstanding Debt and Obligations	<u>\$ 2,740,599</u>	<u>\$ 2,132,093</u>	<u>\$ (608,506)</u>	-22.20%

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, 2021

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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>
2021	487	5.41%
2020	462	1.99%
2019	453	-0.66%

**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, 2021

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
<b>Assets:</b>			
Cash and cash equivalents	\$ 6,423,204	\$ 83,307	\$ 6,506,511
Taxes receivable	3,013,251	--	3,013,251
Inventories	--	1,917	1,917
Other assets	237,699	1,883	239,582
Net Pension Asset	5,645	115	5,760
Capital assets:			
Land	388,891	--	388,891
Other capital assets, net of depreciation	8,932,521	4,154	8,936,675
<b>Total Assets</b>	<b>19,001,211</b>	<b>91,376</b>	<b>19,092,587</b>
<b>Deferred Outflows of Resources:</b>			
Pension-related deferred outflows	969,793	19,792	989,585
<b>Total Deferred Outflows of Resources</b>	<b>969,793</b>	<b>19,792</b>	<b>989,585</b>
<b>Liabilities:</b>			
Accounts payable	190,824	893	191,717
Other current liabilities	498,708	--	498,708
Unearned revenue	--	16,233	16,233
Noncurrent liabilities:			
Due within one year	805,110	--	805,110
Due in more than one year	1,326,983	--	1,326,983
<b>Total Liabilities</b>	<b>2,821,625</b>	<b>17,126</b>	<b>2,838,751</b>
<b>Deferred Inflows of Resources:</b>			
Property taxes levied for future periods	2,977,714	--	2,977,714
Pension related deferred inflows	737,817	15,057	752,874
<b>Total Deferred Inflows of Resources</b>	<b>3,715,531</b>	<b>15,057</b>	<b>3,730,588</b>
<b>Net Position:</b>			
Net investment in capital assets	7,157,441	4,154	7,161,595
Restricted for:			
Capital outlay	1,374,589	--	1,374,589
Special education	1,068,268	--	1,068,268
SDRS pension purposes	237,621	4,850	242,471
Unrestricted	3,595,929	69,981	3,665,910
<b>Total Net Position</b>	<b>\$ 13,433,848</b>	<b>\$ 78,985</b>	<b>\$ 13,512,833</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, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	
Governmental Activities:							
Instruction	\$ 3,548,317	\$ --	\$ 462,635	\$ --	\$ (3,085,682)	\$ --	\$ (3,085,682)
Support Services	2,524,265	--	--	--	(2,524,265)	--	(2,524,265)
Community Services	326	--	--	--	(326)	--	(326)
*Interest on Long-term Debt	40,440	--	--	--	(40,440)	--	(40,440)
Cocurricular Activities	317,653	27,248	--	--	(290,405)	--	(290,405)
Total Governmental Activities	6,431,001	27,248	462,635	--	(5,941,118)	--	(5,941,118)
Business-Type Activities							
Food Service	232,845	22,040	228,808	--	--	18,003	18,003
Fitness Center	7,023	8,230	--	--	--	1,207	1,207
Total Business-Type Activities	239,868	30,270	228,808	--	--	19,210	19,210
Total Primary Government	\$ 6,670,869	\$ 57,518	\$ 691,443	\$ --	(5,941,118)	19,210	(5,921,908)
General Revenues:							
Taxes:							
Property Taxes					5,679,328	--	5,679,328
Gross Receipts Taxes					70,595	--	70,595
Revenue from State Sources:							
State Aid					120,291	--	120,291
Revenue from Federal Sources					723,553	--	723,553
Revenue from Intermediate Sources					14,742	--	14,742
Unrestricted Investment Earnings					240	--	240
Other General Revenues					68,217	--	68,217
Total General Revenues					6,676,966	--	6,676,966
Change in Net Position					735,848	19,210	755,058
<b>Net Position - Beginning</b>					12,698,000	59,775	12,757,775
<b>Net Position - Ending</b>					\$ 13,433,848	\$ 78,985	\$ 13,512,833

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

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

**Hill City School District No 51-2**  
Balance Sheet – Governmental Funds  
June 30, 2021

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 3,706,181	\$ 1,546,013	\$ 1,171,010	\$ 6,423,204
Taxes receivable, current	1,437,014	829,921	465,862	2,732,797
Taxes receivable, delinquent	187,771	58,829	33,854	280,454
Due from other governments	237,699	--	--	237,699
Total Assets	<u>\$ 5,568,665</u>	<u>\$ 2,434,763</u>	<u>\$ 1,670,726</u>	<u>\$ 9,674,154</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 93,491	\$ 92,451	\$ 4,882	\$ 190,824
Contracts payable	335,016	--	33,569	368,585
Payroll liabilities	97,692	--	19,961	117,653
Total Liabilities	<u>526,199</u>	<u>92,451</u>	<u>58,412</u>	<u>677,062</u>
Deferred Inflows of Resources:				
Property taxes levied for future periods	1,558,628	908,894	510,192	2,977,714
Unavailable revenue - property taxes	187,771	58,829	33,854	280,454
Total Deferred Inflows of Resources	<u>1,746,399</u>	<u>967,723</u>	<u>544,046</u>	<u>3,258,168</u>
<b>Fund Balances:</b>				
Restricted:				
For capital outlay	--	1,374,589	--	1,374,589
For special education	--	--	1,068,268	1,068,268
Assigned:				
For unemployment claims	4,000	--	--	4,000
Unassigned	3,292,067	--	--	3,292,067
Total Fund Balances	<u>3,296,067</u>	<u>1,374,589</u>	<u>1,068,268</u>	<u>5,738,924</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 5,568,665</u>	<u>\$ 2,434,763</u>	<u>\$ 1,670,726</u>	<u>\$ 9,674,154</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, 2021

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Total Fund Balances - Governmental Funds \$ 5,738,924

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 9,321,412

Net pension asset reported in governmental activities is not an available financial resource and, therefore, is not reported in the funds. 5,645

Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. 969,793

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

General Obligation Debt (1,970,000)

Capital Leases (144,177)

Compensated Absences (31,878)

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 280,454

Accrued interest is not due and payable in the current period and, therefore are not reported in the funds. (12,470)

Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. (737,817)

Unamortized discounts are immediately recognized as expenditures and other financing sources in the governmental funds. 13,962

Net Position - Governmental Activities \$ 13,433,848

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, 2021

	<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	\$ 2,961,233	\$ 1,696,426	\$ 959,912	\$ 5,617,571
Prior years ad valorem taxes	21,166	10,234	4,686	36,086
Gross receipts tax	70,595	--	--	70,595
Penalties and interest on taxes	13,463	4,916	3,348	21,727
Earnings on investments and deposits	240	--	--	240
Cocurricular Activities:				
Admissions	27,248	--	--	27,248
Other local revenue:				
Rentals	1,550	--	--	1,550
Contributions and donations	22,988	6,820	--	29,808
Charges for services	3,143	--	422	3,565
Other	27,529	--	296	27,825
Revenue from Intermediate Sources:				
County Sources				
County apportionment	14,742	--	--	14,742
Revenue in Lieu of Taxes	1,097	474	268	1,839
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	120,291	--	--	120,291
Restricted grants-in-aid	3,630	--	--	3,630
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	717,370	--	6,183	723,553
Restricted grants-in-aid	267,821	94,936	88,700	451,457
Other Federal Revenue	11,178	--	--	11,178
Total Revenues	<u>4,285,284</u>	<u>1,813,806</u>	<u>1,063,815</u>	<u>7,162,905</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, 2021(Continued)

	General	Capital Outlay	Special Education	Total Governmental Funds
<b>Expenditures</b>				
Instructional Services:				
Regular Programs:				
Elementary	\$ 891,031	\$ 47,227	\$ --	\$ 938,258
Middle/junior high	458,118	190	--	458,308
High school	843,531	11,989	--	855,520
Other	--	6,146	--	6,146
Special Programs:				
Educationally deprived	172,583	--	--	172,583
Programs for special education	--	4,407	539,653	544,060
Support Services:				
Students:				
Guidance	153,244	--	--	153,244
Health	3,487	--	--	3,487
Psychological	--	--	25,675	25,675
Speech pathology	--	--	73,165	73,165
Student therapy services	--	--	55,890	55,890
Instructional Staff:				
Improvement of instruction	17,740	--	--	17,740
Educational media	157,659	8,649	--	166,308
General Administration:				
Board of education	35,301	--	--	35,301
Executive administration	133,075	--	--	133,075
School Administration:				
Office of the principal	199,331	--	--	199,331
Business:				
Fiscal services	183,390	535	--	183,925
Facilities acquisition and construction	--	87,011	--	87,011
Operation and maintenance of plant	820,956	227,763	--	1,048,719
Student transportation	150,148	31,601	--	181,749
Internal services	21,877	19,517	--	41,394
Special education				
Special education	--	--	76,617	76,617
Staff services	--	--	39	39
Other	565	--	--	565
Debt services:	--	652,289	--	652,289
Cocurricular Activities:				
Male activities	83,833	4,281	--	88,114
Female activities	84,882	4,184	--	89,066
Combined activities	59,819	--	--	59,819
Transportation	28,923	--	--	28,923
Capital Outlays:	27,213	155,262	--	182,475
Total Expenditures	4,526,706	1,261,051	771,039	6,558,796
Excess of Revenue Over (Under) Expenditures	(241,422)	552,755	292,776	604,109
<b>Other Financing Sources:</b>				
Inferfund transfers in	632,240	--	--	632,240
Interfund transfers (out)	--	(632,240)	--	(632,240)
Total Other Financing Sources	632,240	(632,240)	--	--
Net Change in Fund Balances	390,818	(79,485)	292,776	604,109
<b>Fund Balance, Beginning</b>	2,905,249	1,454,074	775,492	5,134,815
<b>Fund Balance, Ending</b>	\$ 3,296,067	\$ 1,374,589	\$ 1,068,268	\$ 5,738,924

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, 2021

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	604,109
 This amount represents capital asset purchases which are reported as expenditures on the fund financials statements but increase assets on the government wide statements.		 182,475
 This amount represents the current year depreciation 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.		 (364,995)
 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.		 612,970
 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.		 (964)
 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".		 3,944
 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.		 (3,500)
 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.		 2,379
 Pension revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		 <u>(300,570)</u>
 <b>Change in net position of governmental activities</b>	 \$	 <u><u>735,848</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, 2021

	<b>Food Service Fund</b>	<b>Other Enterprise Fund</b>	<b>Totals</b>
<b>Assets:</b>			
Current Assets:			
Cash and cash equivalents	\$ 56,829	\$ 26,478	\$ 83,307
Accounts receivable	1,883	--	1,883
Inventory-purchased food	1,917	--	1,917
Total Current Assets	<u>60,629</u>	<u>26,478</u>	<u>87,107</u>
Noncurrent Assets:			
Machinery and equipment - local funds	140,943	--	140,943
Less accumulated depreciation	<u>(136,789)</u>	--	<u>(136,789)</u>
Total Noncurrent Assets	<u>4,154</u>	<u>--</u>	<u>4,154</u>
Restricted Assets:			
Net pension asset	<u>115</u>	<u>--</u>	<u>115</u>
<b>Total Assets</b>	<u><u>\$ 64,898</u></u>	<u><u>\$ 26,478</u></u>	<u><u>\$ 91,376</u></u>
<b>Deferred Outflows of Resources:</b>			
Pension-related deferred outflows of resources	<u>\$ 19,792</u>	<u>\$ --</u>	<u>\$ 19,792</u>
<b>Liabilities:</b>			
Current Liabilities:			
Accounts payable	893	--	893
Unearned Revenue	<u>16,233</u>	<u>--</u>	<u>16,233</u>
Total Current Liabilities	<u>17,126</u>	<u>--</u>	<u>17,126</u>
<b>Total Liabilities</b>	<u>17,126</u>	<u>--</u>	<u>17,126</u>
<b>Deferred Inflows of Resources:</b>			
Pension-related deferred inflows of resources	<u>15,057</u>	<u>--</u>	<u>15,057</u>
<b>Net Position:</b>			
Net investment in capital assets	4,154	--	4,154
Restricted for net pension liability	4,850	--	4,850
Unrestricted	<u>43,503</u>	<u>26,478</u>	<u>69,981</u>
Total Net Position	<u><u>\$ 52,507</u></u>	<u><u>\$ 26,478</u></u>	<u><u>\$ 78,985</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, Expenses and Changes in Net Position – Proprietary Funds  
June 30, 2021

	<b>Food Service Fund</b>	<b>Other Enterprise Fund</b>	<b>Totals</b>
<b>Operating Revenue:</b>			
Sales to Students	\$ 15,805	\$ --	\$ 15,805
Sales to Adults	1,558	--	1,558
Other	4,677	8,230	12,907
Total Operating Revenue	22,040	8,230	30,270
<b>Operating Expenses:</b>			
Personnel	86,346	1,977	88,323
Purchased services	20,103	--	20,103
Supplies	6,703	4,878	11,581
Cost of sales - purchased food	104,359	--	104,359
Cost of sales - donated food	13,671	--	13,671
Miscellaneous	721	168	889
Depreciation	942	--	942
Total Operating Expenses	232,845	7,023	239,868
Operating Income (Loss)	(210,805)	1,207	(209,598)
<b>NonOperating Revenues:</b>			
State Sources:			
Cash reimbursements	922	--	922
Federal Sources:			
Capital grants	2,273	--	2,273
Cash reimbursements	211,942	--	211,942
Donated food	13,671	--	13,671
Total Nonoperating Revenue	228,808	--	228,808
Change in Net Position	18,003	1,207	19,210
<b>Net Position - Beginning</b>	34,504	25,271	59,775
<b>Net Position - Ending</b>	\$ 52,507	\$ 26,478	\$ 78,985

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, 2021

	<b>Food Service Fund</b>	<b>Other Enterprise Fund</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers	\$ 46,318	\$ 8,230	\$ 54,548
Payments to Employees	(83,766)	(1,977)	(85,743)
Payments to Suppliers	(131,269)	(5,046)	(136,315)
Net Cash Provided (Used) by Operating Activities	<u>(168,717)</u>	<u>1,207</u>	<u>(167,510)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Operating Subsidies	<u>215,137</u>	<u>--</u>	<u>215,137</u>
Net Cash Provided by Noncapital Financing Activities	<u>215,137</u>	<u>--</u>	<u>215,137</u>
<b>Net Change in Cash and Cash Equivalents</b>	46,420	1,207	47,627
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>10,409</u>	<u>25,271</u>	<u>35,680</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 56,829</u></u>	<u><u>\$ 26,478</u></u>	<u><u>\$ 83,307</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ (210,805)	\$ 1,207	\$ (209,598)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation Expense	942	--	942
Cost of Sales - Donated Food	13,671	--	13,671
Net Pension Expense	6,133	--	6,133
Change in Assets and Liabilities:			
Receivables	13,307	--	13,307
Accounts payable	617	--	617
Deferred revenue	10,971	--	10,971
Other current liabilities	(2,245)	--	(2,245)
Accrued wages payable	(1,308)	--	(1,308)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>\$ (168,717)</u></u>	<u><u>\$ 1,207</u></u>	<u><u>\$ (167,510)</u></u>
<b>Noncash Investing, Capital and Financing Activities:</b>			
Value of commodities received	<u><u>\$ 13,671</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 13,671</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 – Fiduciary Funds  
June 30, 2021

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	<b>Private- Purpose Trust Funds</b>	<b>Custodial Funds</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 8,179	\$ 73,732
Total Assets	\$ 8,179	\$ 73,732
<b>Net Position:</b>		
Restricted for:		
Scholarships - Non-expendable	\$ 5,000	\$ --
Scholarships - Expendable	3,179	--
Individuals, organizations, and other governments	--	73,732
Total Net Position	\$ 8,179	\$ 73,732

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, 2021

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	<b>Private- Purpose Trust Funds</b>	<b>Custodial Funds</b>
<b>Additions:</b>		
Private Donations	\$ 244	\$ --
Interest	10	--
Collections for student activities	--	114,316
Total Additions	254	114,316
<b>Deductions:</b>		
Scholarships Awarded	1,575	--
Payments for student activities	--	111,920
Total Deductions	1,575	111,920
<b>Change in Net Position</b>	(1,321)	2,396
<b>Net Position - Beginning</b>	9,500	--
<b>Restatement - See Note 14</b>	--	71,336
<b>Net Position - Beginning, as Restated</b>	9,500	71,336
<b>Net Position - Ending</b>	\$ 8,179	\$ 73,732

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, 2021

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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, 2021

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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, 2021

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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, 2021

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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, 2021

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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 the District has charged certain "centralized expenses," including an administrative overhead component, as direct expenses to programs in order to show all expenses that are associated with a service, program or department. This process minimizes the doubling-up effect on internal service fund activity.

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, 2021.

## Hill City School District No 51-2

### Notes to the Financial Statements

June 30, 2021

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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 estimated fair 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:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land	All	--
Buildings	\$ 50,000	50 yrs
Improvements	25,000	10-20 yrs
Machinery and Equipment	\$ 5,000	5-30 yrs

Depreciation expense is calculated using the straight-line and composite methods. Depreciation 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.

##### 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, 2021

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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, early retirement payable, capital outlay certificates payable, and capital 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, 2021

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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 net positions (except for Agency Funds, which do not have net position) are reported as net position held in trust for other purposes.

## Hill City School District No 51-2

### Notes to the Financial Statements

June 30, 2021

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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. Emerging Accounting Standards:

In June 2017, the GASB issued Statement No. 87, Leases, which requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the terms of the lease. The statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School has not yet determined the specific impact of this statement on the financial statements. The standard is effective for fiscal years beginning after June 15, 2021, making the standard effective for the School District's year ending June 30, 2022. Early implementation is allowed.

## Hill City School District No 51-2

### Notes to the Financial Statements

June 30, 2021

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#### 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, 2021, 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.

**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, 2021, 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.

**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2021

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**3. Due from Other Governments:**

As of June 30, 2021, amounts due from other governments as reported in the financial statements consisted of the following:

S.D. Department of Education	\$ 237,699
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**4. Changes in Capital Assets:**

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

	Balance 7/1/2020	Increases	Decreases	Balance 6/30/2021
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 388,891	\$ --	\$ --	\$ 388,891
Total capital assets not being depreciated	388,891	--	--	388,891
Capital assets being depreciated:				
Buildings	13,800,957	--	--	13,800,957
Improvements	819,521	--	--	819,521
Equipment	1,323,879	182,475	(128,024)	1,378,330
Total capital assets being depreciated	15,944,357	182,475	(128,024)	15,998,808
Less accumulated depreciation for:				
Buildings	5,013,461	282,464	--	5,295,925
Equipment	1,250,981	51,836	(128,024)	1,174,793
Improvements	564,874	30,695	--	595,569
Total accumulated depreciation	6,829,316	364,995	(128,024)	7,066,287
Total capital assets being depreciated, net	9,115,041	(182,520)	--	8,932,521
Net Capital Assets	\$ 9,503,932	\$ (182,520)	\$ --	\$ 9,321,412

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 271,908
Support services	41,030
Community services	326
Co-curricular activities	51,731
Total Depreciation Expense	\$ 364,995

**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2021

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

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

	<u>Balance 7/1/2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2021</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Equipment	\$ 140,943	\$ --	\$ --	\$ 140,943
Less accumulated depreciation for:				
Less: Accumulated Depreciation	<u>135,847</u>	<u>942</u>	<u>--</u>	<u>136,789</u>
Total capital assets being depreciated, net	<u>\$ 5,096</u>	<u>\$ (942)</u>	<u>\$ --</u>	<u>\$ 4,154</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	<u>\$ 942</u>

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:

	<u>Balance 7/1/2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 6/30/2021</u>	<u>Amounts Due Within 1 Year</u>
<b>Governmental Activities:</b>					
General Obligation Debt					
Capital Outlay					
Certificates	\$ 2,515,000	\$ --	\$ 545,000	\$ 1,970,000	\$ 730,000
Capital Outlay Certificates					
Discounts	(17,462)	--	3,500	(13,962)	--
Capital Leases	<u>212,147</u>	<u>--</u>	<u>67,970</u>	<u>144,177</u>	<u>70,680</u>
Subtotal	2,709,685	--	616,470	2,100,215	800,680
Other Liabilities:					
Compensated Absences	<u>30,914</u>	<u>964</u>	<u>--</u>	<u>31,878</u>	<u>4,430</u>
Total Long-term Liabilities	<u>\$ 2,740,599</u>	<u>\$ 964</u>	<u>\$ 616,470</u>	<u>\$ 2,132,093</u>	<u>\$ 805,110</u>
<b>Business-type Activities:</b>					
Compensated Absences	<u>\$ 1,308</u>	<u>\$ --</u>	<u>\$ 1,308</u>	<u>\$ --</u>	<u>\$ --</u>

**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2021

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

Capital outlay certificates and other general obligations at June 30, 2021 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	\$ 1,970,000		
2016 Capital Outlay Certificates Discount	(13,962)		
Wells Fargo Capital Lease (computers), interest rate Annual payments of \$76,426	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="text-align: right;">144,177</td> </tr> <tr> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 2,100,215</td> </tr> </table>	144,177	\$ 2,100,215
144,177			
\$ 2,100,215			

The annual debt service requirements to maturity for all long-term debt outstanding as of June 30, 2021, excluding compensated absences, are as follows:

Year Ending June 30,	General Obligation Debt		Totals
	Principal	Interest	
2022	730,000	22,848	752,848
2023	745,000	12,888	757,888
2024	495,000	3,836	498,836
Total Payments	\$ 1,970,000	\$ 39,572	\$ 2,009,572

Year Ending June 30,	Capital Lease		Totals
	Principal	Interest	
2022	70,680	5,746	76,426
2023	73,497	2,929	76,426
Total Payments	\$ 144,177	\$ 8,675	\$ 152,852

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, 2021

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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	\$ 1,374,589
Special Education Purposes	State Law	1,068,268
Proportionate Share of Net Pension Liability	State Law	242,471
		\$ 2,685,328

**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, 2021 were as follows:

\$632,240 Transfer 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, 2021

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

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

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



**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2021

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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.

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>
2021	\$ 175,806
2020	175,482
2019	\$ 176,996

**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2021

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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, 2021, SDRS is 100.04% 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, 2020 and reported by the District as of June 30, 2021 are as follows:

Proportionate share of pension liability	\$ 16,305,933
Less proportionate share of net pension restricted for pension benefits	<u>16,311,694</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (5,761)</u></u>

At June 30, 2021, the District reported a liability (asset) of (\$5,761) for its proportionate share of the net pension (asset). The net pension liability (asset) was measured as of June 30, 2020 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020 the District's proportion was 0.13264410%, which is a decrease of (0.0060977%) from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021 , the District recognized pension expense of \$306,703. At June 30, 2021, 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	\$ 22,038	\$ 4,513
Changes in Assumption	185,557	748,361
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	535,430	--
Changes in Proportion and Difference Between School District Contributions and Proportionate Share of Contributions	70,754	--
District Contributions Subsequent to the Measurement Date	<u>175,806</u>	<u>--</u>
Total	<u><u>\$ 989,585</u></u>	<u><u>\$ 752,874</u></u>

**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2021

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

\$175,806 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension revenue as follows:

Year Ended June 30,	
2022	\$ (33,969)
2023	(25,670)
2024	19,759
2025	100,785
Total	<u>\$ 60,905</u>

e. Actuarial Assumptions:

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

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

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

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

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

Notes to the Financial Statements

June 30, 2021

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2020 (see the discussion of the pension plan’s investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
Total	<u>100%</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).

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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School Districts proportionate share of the net pension liability (asset)	\$ 2,234,773	\$ (5,761)	\$ (1,838,473)

**Hill City School District No 51-2**  
Notes to the Financial Statements  
June 30, 2021

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

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, 2021, 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, 2021, this joint venture had assets of \$8,862,200, deferred inflows of \$1,521,480, liabilities of \$948,939, and net position of \$6,391,781 (unaudited).

## Hill City School District No 51-2

### Notes to the Financial Statements

June 30, 2021

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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, 2021, 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, 2021, no claims were filed for unemployment benefits. At June 30, 2021, 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, 2021

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**13. Risks and Uncertainties:**

As a result of the spread of the SARS-COV-2 virus, the incidence of COVID-19, and the world-wide coronavirus pandemic economic uncertainties have arisen which may negatively affect the financial position, results of operations, and cash flows of the School. The School is closely monitoring its operations, liquidity, and capital resources and is working to minimize the current and future impact of this unprecedented situation. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

**14. Restatement and Implementation of New Standards:**

In 2021, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities accounting standard. This standard improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of this standard required that the District present a Statement of Changes in Fiduciary Net Position for Custodial Funds for 2021. The implementation of this standard required the District reclassify previously reported agency funds as custodial funds. The adjustment to beginning fund balance is as follows:

<b><u>Fiduciary Activities - Custodial Funds:</u></b>	
Net Position - June 30, 2020, as previously reported	\$ --
Restatement due to the inclusion of amounts held for others	<u>71,336</u>
Net Position - July 1, 2020, as restated	<u><u>\$ 71,336</u></u>

**15. 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, 2021

	<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	\$ 2,974,118	\$ 2,974,118	\$ 2,961,233	\$ (12,885)
Prior years ad valorem taxes	55,000	55,000	21,166	(33,834)
Utility taxes	90,000	90,000	70,595	(19,405)
Other Taxes	--	--	--	--
Penalties and interest on taxes	10,000	10,000	13,463	3,463
Earnings on investments and deposits	10,000	10,000	240	(9,760)
Cocurricular Activities:				
Admissions	25,000	25,000	27,248	2,248
Other local revenue:				
Rentals	1,500	1,500	1,550	50
Contributions and donations	--	--	22,988	22,988
Charges for services	3,500	3,500	3,143	(357)
Other	30,500	30,500	27,529	(2,971)
Revenue from Intermediate Sources:				
County Sources				
County apportionment	23,000	23,000	14,742	(8,258)
Revenue in Lieu of Taxes	55,000	55,000	1,097	(53,903)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	78,000	78,000	120,291	42,291
Restricted grants-in-aid	500	500	3,630	3,130
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	657,776	657,776	717,370	59,594
Restricted grants-in-aid	223,599	223,599	267,821	44,222
Other Federal Revenue	101,758	101,758	11,178	(90,580)
<b>Total Revenues</b>	<u>4,339,251</u>	<u>4,339,251</u>	<u>4,285,284</u>	<u>(53,967)</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, 2021 (Continued)

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>Expenditures</b>				
Instructional Services:				
Regular Programs:				
Elementary	\$ 1,036,407	\$ 1,036,407	\$ 918,244	\$ 118,163
Middle/junior high	463,099	463,099	458,118	4,981
High school	800,361	800,361	843,531	(43,170)
Special Programs:				
Educationally deprived	100,000	100,000	172,583	(72,583)
Support Services:				
Students:				
Attendance and social work	500	500	--	500
Guidance	154,138	154,138	153,244	894
Health	3,500	3,500	3,487	13
Instructional Staff:				
Improvement of instruction	50,250	50,250	17,740	32,510
Educational media	157,416	157,416	157,659	(243)
General Administration:				
Board of education	65,074	65,074	35,301	29,773
Executive administration	140,883	140,883	133,075	7,808
School Administration:				
Office of the principal	203,665	203,665	199,331	4,334
Other	--	--	--	--
Business:				
Fiscal services	182,110	182,110	183,390	(1,280)
Operation and maintenance of plant	857,176	857,176	820,956	36,220
Student transportation	161,433	161,433	150,148	11,285
Internal services	34,500	34,500	21,877	12,623
Food services	--	--	--	--
Other	565	565	565	--
Cocurricular Activities:				
Male activities	98,940	98,940	83,833	15,107
Female activities	81,058	81,058	84,882	(3,824)
Combined activities	64,752	64,752	59,819	4,933
Transportation	37,375	37,375	28,923	8,452
Contingencies	305,192	305,192	--	305,192
Total Expenditures	<u>4,998,394</u>	<u>4,998,394</u>	<u>4,526,706</u>	<u>471,688</u>
Excess of Revenue Over (Under) Expenditures	<u>(659,143)</u>	<u>(659,143)</u>	<u>(241,422)</u>	<u>417,721</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>632,240</u>	<u>632,240</u>	<u>632,240</u>	<u>--</u>
Total Other Financing Sources (Uses):	<u>632,240</u>	<u>632,240</u>	<u>632,240</u>	<u>--</u>
Net Change in Fund Balances	(26,903)	(26,903)	390,818	417,721
<b>Fund Balance, Beginning</b>	<u>2,905,249</u>	<u>2,905,249</u>	<u>2,905,249</u>	<u>--</u>
<b>Fund Balance, Ending</b>	<u>\$ 2,878,346</u>	<u>\$ 2,878,346</u>	<u>\$ 3,296,067</u>	<u>\$ 417,721</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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,544,600	\$ 1,544,600	\$ 1,696,426	\$ 151,826
Prior year ad valorem taxes	10,000	10,000	10,234	234
Penalties and interest on taxes	4,000	4,000	4,916	916
Contributions and donations	--	--	6,820	6,820
Revenue in Lieu of taxes:	22,000	22,000	474	(21,526)
Revenue from Federal Sources:				
Unrestricted Grants-in-Aid from federal government	94,936	94,936	94,936	--
Total Revenues	1,675,536	1,675,536	1,813,806	138,270
<b>Expenditures</b>				
Instructional Services:				
Elementary	26,500	26,500	47,227	(20,727)
Middle school	20,000	20,000	190	19,810
High school	43,000	43,000	19,333	23,667
Other	17,500	17,500	6,146	11,354
Special Programs:				
Programs for special education	4,000	4,000	4,407	(407)
Support Services:				
Instructional staff:				
Educational media	55,000	55,000	74,938	(19,938)
Business:				
Fiscal Services	5,000	5,000	535	4,465
Facilities acquisition and construction	150,000	150,000	148,420	1,580
Operation and maintenance of plant	106,936	106,936	241,163	(134,227)
Food service	20,000	20,000	--	20,000
Internal services	18,565	18,565	51,118	(32,553)
Debt services:	652,289	652,289	652,289	--
Cocurricular Activities:				
Male activities	11,500	11,500	4,281	7,219
Female activities	5,000	5,000	11,004	(6,004)
Combined activities	5,000	5,000	--	5,000
Total Expenditures	1,140,290	1,140,290	1,261,051	(120,761)
Excess of Revenue Over (Under)				
Expenditures	535,246	535,246	552,755	17,509
<b>Other Financing Sources (Uses):</b>				
Transfer (out)	(632,240)	(632,240)	(632,240)	--
Total Other Financing Sources (Uses)	(632,240)	(632,240)	(632,240)	--
Net Change in Fund Balances	(96,994)	(96,994)	(79,485)	17,509
<b>Fund Balance, Beginning</b>	1,454,074	1,454,074	1,454,074	--
<b>Fund Balance, Ending</b>	\$ 1,357,080	\$ 1,357,080	\$ 1,374,589	\$ 17,509

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, 2021

	<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	\$ 904,809	\$ 904,809	\$ 959,912	\$ 55,103
Prior years' ad valorem taxes	11,500	11,500	4,686	(6,814)
Penalties and interest on taxes	2,300	2,300	3,348	1,048
Other revenue from local sources:				
Charges for services	700	700	422	(278)
Other	--	--	296	296
Revenue in Lieu of Taxes	800	800	268	(532)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	6,183	6,183	6,183	--
Restricted grants-in-aid	112,000	112,000	88,700	(23,300)
<b>Total Revenues</b>	<u>1,038,292</u>	<u>1,038,292</u>	<u>1,063,815</u>	<u>25,523</u>
<b>Expenditures</b>				
Instructional Services:				
Programs for special education	606,251	606,251	539,653	66,598
Support Services:				
Health	25,000	25,000	--	25,000
Psychological	21,000	21,000	25,675	(4,675)
Speech pathology	85,000	85,000	73,165	11,835
Student therapy services	85,000	85,000	55,890	29,110
Orientation and mobility services	500	500	--	
Administration costs	87,636	87,636	75,175	12,461
Transportation costs	5,500	5,500	1,481	4,019
Contingencies	122,405	122,405	--	122,405
<b>Total Expenditures</b>	<u>1,038,292</u>	<u>1,038,292</u>	<u>771,039</u>	<u>266,753</u>
Excess of Revenues Over (Under) Expenditures	<u>--</u>	<u>--</u>	<u>292,776</u>	<u>292,276</u>
Net Change in Fund Balance	--	--	292,776	292,276
<b>Fund Balance, Beginning</b>	<u>775,492</u>	<u>775,492</u>	<u>775,492</u>	<u>--</u>
<b>Fund Balance, Ending</b>	<u>\$ 775,492</u>	<u>\$ 775,492</u>	<u>\$ 1,068,268</u>	<u>\$ 292,276</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, 2021

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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**

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

	<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)	0.1326441%	0.1387418%	0.1563179%	0.1618340%	0.1642107%	0.1667829%	0.1769504%
District's proportionate share of net pension liability (asset)	\$ (5,761)	\$ (14,703)	\$ (3,646)	\$ (14,687)	\$ 554,688	\$ (707,374)	\$ (1,274,855)
District's covered-employee payroll	\$ 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	0.19%	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)	100.04%	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

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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually-required contribution	\$ 175,806	\$ 175,482	\$ 176,996	\$ 194,686	\$ 197,288	\$ 184,593	\$ 183,638
Contributions in relation to the contractually-required contribution	<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>\$ --</u></u>	<u><u>\$ --</u></u>	<u><u>\$ --</u></u>
District's covered-employee payroll	\$ 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%

\*\*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, 2021

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**Changes from Prior Valuation**

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

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

**Benefit Provision Changes**

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

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

**Actuarial Assumption Changes**

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

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

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

**Actuarial Method Changes**

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



## Supplementary Information

**Hill City School District No 51-2**  
Schedule of Expenditures of Federal Awards  
June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA 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	\$ 13,671
Cash Assistance:			
School Breakfast Program (Note 4)	10.553	--	49,641
National School Lunch Program (Note 4)	10.555	NSLP-17-139	<u>162,302</u>
Total Child Nutrition Cluster			<u>225,614</u>
Other Programs:			
Forest Service Schools and Roads Cluster:			
Schools and Roads - Grants to States	10.665	--	<u>137,230</u>
Total U.S. Department of Agriculture			<u>362,844</u>
<b>U.S. Department of Treasury:</b>			
Pass through the S.D. Bureau of Finance and Management			
Coronavirus Relief Fund	21.019	--	242,500
<b>U.S. Department of Education:</b>			
Impact Aid	84.041	--	294,350
Pass through the S.D. Department of Education:			
Elementary and Secondary School Emergency Reli	84.425D	--	113,536
Title I Grants to Local Educational Agencies	84.010	S010A170041	121,261
Rural Education	84.358	--	11,178
Supporting Effective Instruction State Grant	84.367	S367A170039	33,024
Special Education Cluster:			
Special Education Grants to States	84.027	H027A270091	88,700
Total Special Education Cluster			<u>88,700</u>
Total U.S. Department of Education			<u>662,049</u>
Grand Total			<u><u>\$ 1,267,393</u></u>

**Hill City School District No 51-2**  
Schedule of Expenditures of Federal Awards  
June 30, 2021(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, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of 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, 2021

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Dennis Krull----- President

Robert Timm -----Vice President

Angela Ross----- Member

Carmen Ronish----- Member

John Stam----- Member

Blake Gardner-----Superintendent

Anjar Voorhees -----Business Manager