

HILL CITY SCHOOL DISTRICT NO. 51-2

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2024



HILL CITY SCHOOL DISTRICT NO. 51-2

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hill City School District No. 51-2 (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 District, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hill City School District No. 51-2

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



KETEL THORSTENSON, LLP
Certified Public Accountants

March 11, 2025

HILL CITY SCHOOL DISTRICT NO. 51-2

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2024

This section of the District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2024. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position from governmental and business-type activities increased \$2,650,227.
- The total cost of the District's programs increased by approximately 12 percent, primarily due to salary and corresponding benefits increases.
- The general fund reported a \$4,236,472 current year fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the 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 Food Service and Fitness Center.
 - Fiduciary fund statements provide information about the financial relationships - like scholarship plans for graduating students - in which the District 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. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

HILL CITY SCHOOL DISTRICT NO. 51-2

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS

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 District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

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

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

- **Governmental Activities** - This category includes the District's basic instructional services (elementary, high school educational programs, etc.), support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-Type Activities** - The District charges a fee to students to help cover the costs of providing lunch services to all students. The District also charges for services provided for use of the Fitness Center for the community. The Food Service and Fitness Center Funds are the 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 District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending for particular purposes.

- State law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes.

HILL CITY SCHOOL DISTRICT NO. 51-2

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS

Fund Financial Statements

The District 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 be readily converted to cash flow in and out and (2) the balances remaining at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are greater or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the 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 Fitness Center Funds are the 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 Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

HILL CITY SCHOOL DISTRICT NO. 51-2

**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

OVERVIEW OF THE FINANCIAL STATEMENTS

Figure A-1 summarizes the major features of the District’s financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of the overview section of the management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-1				
Scope	Government-wide Statements	Fund Statements		
	Entire District government (except fiduciary funds)	Governmental Funds	Proprietary Funds	Fiduciary Funds
		The activities of the District that are not proprietary or fiduciary, such as elementary and high school education programs	Activities the District operates similar to private business- food service and driver's education	Instances in which the District is the trustee or agent for someone else's resources
Required Financial Statements	Statement of Net Position and Statement of Activities	Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances	Balance Sheet; Statement of Revenues, Expenses and Changes in Fund Net Position; and Statement of Cash Flows	Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/ Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the 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 the year 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 the 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 (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District’s combined net position increased as follows:

	Table A-1					
	Governmental Activities		Business-Type Activities		Total	
	2023	2024	2023	2024	2023	2024
Current and Other Assets	\$ 12,412,879	\$ 15,259,880	\$ 198,363	\$ 217,693	\$ 12,611,242	\$ 15,477,573
Capital Assets	9,396,110	9,074,834	2,548	2,039	9,398,658	9,076,873
Total Assets	21,808,989	24,334,714	200,911	219,732	22,009,900	24,554,446
Pension Related Deferred Outflows of Resources	\$ 1,186,691	\$ 1,040,791	\$ -	\$ -	\$ 1,186,691	\$ 1,040,791
Long-Term Liabilities	\$ 513,888	\$ 30,672	\$ -	\$ -	\$ 513,888	\$ 30,672
Other Liabilities	711,803	569,998	9,628	19,532	721,431	589,530
Total Liabilities	1,225,691	600,670	9,628	19,532	1,235,319	620,202
Taxes Levied for Future Period	3,258,541	3,700,633	-	-	3,258,541	3,700,633
Pension Related Deferred Inflows of Resources	686,542	607,986	-	-	686,542	607,986
Total Deferred Inflows	3,945,083	4,308,619	-	-	3,945,083	4,308,619
Net Position:						
Net Investment in Capital Assets	8,840,782	9,074,834	2,548	2,039	8,843,330	9,076,873
Restricted	4,367,180	6,899,605	-	-	4,367,180	6,899,605
Unrestricted	4,616,944	4,491,777	188,735	198,161	4,805,679	4,689,938
Total Net Position	\$ 17,824,906	\$ 20,466,216	\$ 191,283	\$ 200,200	\$ 18,016,189	\$ 20,666,416
Beginning Net Position	\$ 15,898,120	\$ 17,824,906	\$ 144,353	\$ 191,283	\$ 16,042,473	\$ 18,016,189
Change in Net Position	1,926,786	2,641,310	46,930	8,917	1,973,716	2,650,227
Percentage of Change in Net Position	12.12%	14.82%	32.51%	4.66%	12.30%	14.71%

This section explains the differences between the current and prior year’s assets, liabilities, and changes in net position.

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the District, consisting of compensated absences have been reported in this manner on the Statement of Net Position. The difference between the District’s assets and liabilities is its net position.

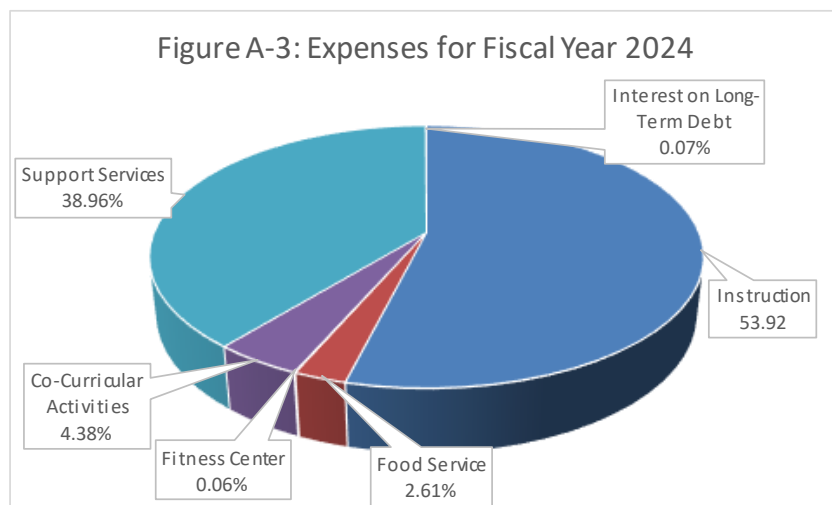
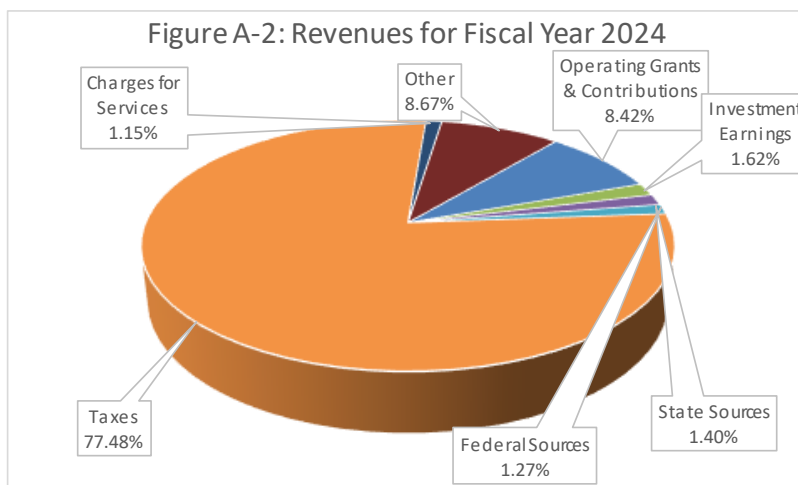
HILL CITY SCHOOL DISTRICT NO. 51-2

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Changes in Net Position

This section illustrates condensed financial comparison of revenues and expenses and provides explanations for significant differences. The District's revenues totaled \$10,240,271 for the year ended June 30, 2024. (See Table A-2). Approximately 76 percent of the District's revenue comes from property and other taxes, with another 3 percent coming from state and federal aid (See Figure A-2). The total cost of all programs and services was \$7,590,044 for the year ended June 30, 2024 (See Table A-2). The District's expenses cover a range of services, encompassing instruction, support services, co-curricular and food services. (See Figure A-3).



HILL CITY SCHOOL DISTRICT NO. 51-2

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Changes in Net Position

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

	Table A-2					
	Total Governmental Activities		Total Business-Type Activities		Grand Total	
	2023	2024	2023	2024	2023	2024
Revenues						
<i>Program Revenues</i>						
Charges for Services	\$ 30,820	\$ 15,657	\$ 108,288	\$ 101,884	\$ 139,108	\$ 117,541
Operating Grants and Contributions	724,210	753,138	116,607	108,651	840,817	861,789
<i>General Revenues</i>						
Taxes	6,889,914	7,934,025	-	-	6,889,914	7,934,025
Revenue State Sources	197,008	143,367	-	-	197,008	143,367
Revenue Federal Sources	587,372	129,983	-	-	587,372	129,983
Revenue Intermediate Sources	15,216	-	-	-	15,216	-
Other General Revenues	38,195	887,605	-	413	38,195	888,018
Unrestricted Investment Earnings	29,855	165,548	-	-	29,855	165,548
Total Revenues	8,512,590	10,029,323	224,895	210,948	8,737,485	10,240,271
Expenses						
Instruction	3,725,854	4,093,686	-	-	3,725,854	4,093,686
Support Services	2,442,259	2,956,997	-	-	2,442,259	2,956,997
Community Services	511	-	-	-	511	-
Co-Curricular Activities	391,349	332,099	-	-	391,349	332,099
Interest on Long-Term Debt	43,152	5,231	-	-	43,152	5,231
Food Service	-	-	173,738	197,850	173,738	197,850
Fitness Center	-	-	4,227	4,181	4,227	4,181
Total Expenses	6,603,125	7,388,013	177,965	202,031	6,781,090	7,590,044
Change in Net Position	1,909,465	2,641,310	46,930	8,917	1,956,395	2,650,227
Ending Net Position	\$ 17,824,906	\$ 20,466,216	\$ 191,283	\$ 200,200	\$ 18,016,189	\$ 20,666,416

HILL CITY SCHOOL DISTRICT NO. 51-2

**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Governmental Activities

While the District experienced normal individual revenue fluctuations during the 2024 year compared to 2023, the total revenues of the District’s governmental activities increased approximately 17 percent across all funding sources but predominately in the federal funding area. The increase in expenditures of approximately 12 percent was due to an increase in capital projects and salaries from the prior year.

Business-Type Activities

Revenues of the District’s business-type activities decreased approximately 6 percent, and expenses increased approximately 14 percent. The decrease in revenues were due to a spend down plan required by the State School Nutrition Program which required spending down cash balances in the Food Service Fund.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

The General Fund increased mainly due to tax revenue increases. The Capital Outlay Fund increased due to an insurance claim and tax revenue. The Special Education Fund increased due to tax revenue.

BUDGETARY HIGHLIGHTS

The General Fund revenue budget increased mainly due to tax and restricted grant revenue. The Special Education revenue budget increased due to tax revenue. The corresponding expenditure budgets increased due to staffing increases and increases in compensation. The Capital Outlay Fund revenue budget increased due to an increase in assessed tax revenue. The Capital Outlay expenditure budget increased due to the increase in the cost of summer projects.

CAPITAL ASSET ADMINISTRATION

By the end of 2024, the District had invested \$9,076,873 (net of accumulated depreciation) in a broad range of capital assets, including land, buildings, various machinery and equipment, and right of use lease assets. (See Table A-3.) This represents a decrease of approximately \$321,000 from last year because of normal annual depreciation.

Table A-3 Capital Assets (Net of Depreciation)				
	Governmental Activities		Business-type Activities	
	2023	2024	2023	2024
Land	\$ 388,891	\$ 388,891	\$ -	\$ -
Buildings	8,148,867	7,904,782	-	-
Improvements	406,450	382,581	-	-
Machinery and Equipment	451,902	398,580	2,548	2,039
Total Capital Assets (Net)	\$ 9,396,110	\$ 9,074,834	\$ 2,548	\$ 2,039

HILL CITY SCHOOL DISTRICT NO. 51-2

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

LONG-TERM DEBT

Table A-4 Outstanding Debt and Obligations					
			Total	Total	
	2023	2024	Dollar	Percentage	
			Change	Change	
Capital Outlay	\$ 495,000	\$ -	\$ (495,000)	-100%	
Discount on Capital Outlay Certificates	(5,231)	-	5,231	-100%	
Compensated Absences	24,119	30,672	6,553	27%	
Total Outstanding Debt and Obligations	\$ 513,888	\$ 30,672	\$ (483,216)	-94%	

At year end, the District had \$30,672 in compensated absences. This is a decrease of \$483,216 as shown on Table A-4 above. The decrease is due primarily to repayment in full of the capital outlay certificates.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The District did not receive State Aid for the fiscal year 2024. The District relies 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.

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 St., Hill City, SD 57745.

HILL CITY SCHOOL DISTRICT NO. 51-2

STATEMENT OF NET POSITION
JUNE 30, 2024

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Investments	\$ 10,882,721	\$ 200,240	\$ 11,082,961
Taxes Receivable	4,233,219	-	4,233,219
Accounts Receivable	-	7,007	7,007
Due from Other Governments	129,775	-	129,775
Inventory	-	10,446	10,446
Net Pension Asset	12,165	-	12,165
Other Asset	2,000	-	2,000
Capital Assets:			
Land	388,891	-	388,891
Buildings, Net of Depreciation	7,904,782	-	7,904,782
Equipment, Net of Depreciation	398,580	2,039	400,619
Improvements, Net of Depreciation	382,581	-	382,581
TOTAL ASSETS	24,334,714	219,732	24,554,446
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferred Outflows	1,040,791	-	1,040,791
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 25,375,505	\$ 219,732	\$ 25,595,237
LIABILITIES			
Accounts Payable	\$ 29,047	\$ -	\$ 29,047
Other Current Liabilities	540,951	-	540,951
Unearned Revenue	-	19,532	19,532
Long-Term Liabilities:			
Due Within One Year	30,672	-	30,672
Due in More than One Year	-	-	-
TOTAL LIABILITIES	600,670	19,532	620,202
DEFERRED INFLOWS OF RESOURCES			
Taxes Levied for Future Period	3,700,633	-	3,700,633
Pension Related Deferred Inflow of Resources	607,986	-	607,986
TOTAL DEFERRED INFLOWS OF RESOURCES	4,308,619	-	4,308,619
NET POSITION			
Net Investment in Capital Assets	9,074,834	2,039	9,076,873
Restricted for:			
Capital Outlay	4,230,810	-	4,230,810
Special Education	2,223,825	-	2,223,825
Pension - SDRS	444,970	-	444,970
Unrestricted	4,491,777	198,161	4,689,938
TOTAL NET POSITION	20,466,216	200,200	20,666,416
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 25,375,505	\$ 219,732	\$ 25,595,237

The accompanying notes are an integral part of this statement.

HILL CITY SCHOOL DISTRICT NO. 51-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
<i>Governmental Activities:</i>						
Instruction	\$ 4,093,686	\$ -	\$ 753,138	\$ (3,340,548)	\$ -	\$ (3,340,548)
Support Services	2,956,997	-	-	(2,956,997)	-	(2,956,997)
Co-Curricular Activities	332,099	15,657	-	(316,442)	-	(316,442)
Interest on Long- Term Debt *	5,231	-	-	(5,231)	-	(5,231)
	<u>7,388,013</u>	<u>15,657</u>	<u>753,138</u>	<u>(6,619,218)</u>	<u>-</u>	<u>(6,619,218)</u>
<i>Business-Type Activities:</i>						
Food Service	197,850	85,734	108,651	-	(3,465)	(3,465)
Fitness Center	4,181	16,150	-	-	11,969	11,969
	<u>202,031</u>	<u>101,884</u>	<u>108,651</u>	<u>-</u>	<u>8,504</u>	<u>8,504</u>
Total Primary Government	\$ 7,590,044	\$ 117,541	\$ 861,789	(6,619,218)	8,504	(6,610,714)
General Revenues						
<i>Taxes:</i>						
Property Taxes				7,855,798	-	7,855,798
Gross Receipts Taxes				78,227	-	78,227
<i>Revenue from State Sources:</i>						
State Aid				143,367	-	143,367
Revenue from Federal Sources				129,983	-	129,983
Unrestricted Investment Earnings				165,548	-	165,548
Other General Revenues				887,605	413	888,018
Total General Revenues				9,260,528	413	9,260,941
Change in Net Position				2,641,310	8,917	2,650,227
Net Position, as Previously Stated -- June 30, 2023				17,807,585	191,283	17,998,868
Correction of an Error				17,321	-	17,321
Net Position, Beginning, as Restated				<u>17,824,906</u>	<u>191,283</u>	<u>18,016,189</u>
Net Position -- June 30, 2024				\$ 20,466,216	\$ 200,200	\$ 20,666,416

* 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 are an integral part of this statement.

HILL CITY SCHOOL DISTRICT NO. 51-2

**GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2024**

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 4,555,685	\$ 4,091,224	\$ 2,235,812	\$ 10,882,721
Taxes Receivable -- Current	2,027,273	1,039,733	684,745	3,751,751
Taxes Receivable -- Delinquent	285,977	126,157	69,334	481,468
Due from Other Governments	129,775	-	-	129,775
Other Assets	2,000	-	-	2,000
Total Assets	\$ 7,000,710	\$ 5,257,114	\$ 2,989,891	\$ 15,247,715
LIABILITIES				
Accounts Payable	\$ 22,186	\$ 1,425	\$ 5,436	\$ 29,047
Contracts Payable	327,301	-	42,212	369,513
Accrued Expenses	128,214	-	43,224	171,438
Total Liabilities	477,701	1,425	90,872	569,998
DEFERRED INFLOWS OF RESOURCES				
Taxes Levied for Future Period	2,000,560	1,024,879	675,194	3,700,633
Unavailable Revenue - Property Taxes	285,977	126,157	69,334	481,468
Total Deferred Inflows of Resources	2,286,537	1,151,036	744,528	4,182,101
FUND BALANCES				
Restricted - Capital Outlay	-	4,104,653	-	4,104,653
Restricted - Special Education	-	-	2,154,491	2,154,491
Unassigned	4,236,472	-	-	4,236,472
Total Fund Balances	4,236,472	4,104,653	2,154,491	10,495,616
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,000,710	\$ 5,257,114	\$ 2,989,891	\$ 15,247,715

The accompanying notes are an integral part of this statement.

HILL CITY SCHOOL DISTRICT NO. 51-2

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO GOVERNMENT-WIDE
STATEMENT OF NET POSITION
JUNE 30, 2024**

Total Fund Balances - Governmental Funds	\$ 10,495,616
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,074,834
Long-term liabilities, including compensated absences are not due in the current period and therefore not reported in the funds.	(30,672)
Assets such as delinquent taxes receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	481,468
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	12,165
Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.	1,040,791
Pension related deferred inflows are components of pension asset and therefore are not reported in the funds.	(607,986)
Net Position - Governmental Funds	\$ 20,466,216

The accompanying notes are an integral part of this statement.

HILL CITY SCHOOL DISTRICT NO. 51-2

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2024

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
REVENUES				
<i>Revenue from Local Sources:</i>				
Ad Valorem Taxes	\$ 4,030,839	\$ 2,265,281	\$ 1,367,818	\$ 7,663,938
Prior Years' Ad Valorem Taxes	17,165	8,538	4,650	30,353
Gross Receipts Taxes	78,227	-	-	78,227
Penalties and Interest on Taxes	7,637	4,207	2,285	14,129
Interest Earned	140,906	12,321	12,321	165,548
<i>Co-Curricular Activities:</i>				
Admissions	15,657	-	-	15,657
<i>Other Local Revenue:</i>				
Rentals	2,250	-	-	2,250
Refund of prior year's expenditures	60	-	-	60
Other	31,395	-	-	31,395
<i>Revenue from Intermediate Sources:</i>				
County Apportionment	17,061	-	-	17,061
<i>Revenue from State Sources -- Grants-in-Aid:</i>				
Unrestricted Grants-in-Aid	143,367	-	-	143,367
<i>Revenue from Federal Sources -- Grants-in-Aid:</i>				
Unrestricted Grants-in-Aid Received from				
Federal Government Through State	129,983	-	-	129,983
Restricted Grants-in-Aid Received from				
Federal Government Through State	651,015	-	102,123	753,138
Total Revenues	5,265,562	2,290,347	1,489,197	9,045,106
EXPENDITURES				
<i>Instruction Regular Programs:</i>				
Elementary	1,013,921	35,775	-	1,049,696
Middle/Junior High School	489,885	128,215	-	618,100
High School	867,959	249,274	-	1,117,233
<i>Instruction Special Programs:</i>				
Programs for Special Education	-	1,285	783,269	784,554
Educationally Deprived	177,645	-	-	177,645
<i>Support Services Pupils:</i>				
Health Services	163,636	-	-	163,636
Psychological	-	-	32,538	32,538
Speech Pathology	-	-	96,705	96,705
Student Therapy Services	-	-	84,112	84,112
Improvement of Instruction	24,059	35,893	-	59,952
Educational Media	128,110	27,348	-	155,458
<i>Support Services General Administration:</i>				
Board of Education	44,238	-	-	44,238
Executive Administration	165,786	-	-	165,786
Office of the Principal	230,351	-	-	230,351

HILL CITY SCHOOL DISTRICT NO. 51-2

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2024**

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
EXPENDITURES (Continued)				
<i>Support Services Business:</i>				
Fiscal Services	200,344	-	-	200,344
Facilities Acquisition and Construction	-	560,915	-	560,915
Operation and Maintenance of Plant	830,973	-	-	830,973
Pupil Transportation	198,686	-	-	198,686
<i>Support Services Special Education:</i>				
Administrative Costs	-	-	80,954	80,954
Debt Service	-	498,836	-	498,836
<i>Co-Curricular Activities:</i>				
Male Activities	106,245	-	-	106,245
Female Activities	102,829	-	-	102,829
Combined Activities	68,250	-	-	68,250
Capital Outlay	20,392	90,037	-	110,429
Total Expenditures	4,833,309	1,627,578	1,077,578	7,538,465
Excess of Revenues Over Expenditures	432,253	662,769	411,619	1,506,641
Other Financing Sources				
Transfers In	-	441,031	-	441,031
Transfers Out	(441,031)	-	-	(441,031)
Compensation for Loss of Property	-	888,497	-	888,497
Total Other Financing Sources	(441,031)	1,329,528	-	888,497
Net Change in Fund Balances	(8,778)	1,992,297	411,619	2,395,138
Fund Balance -- June 30, 2023	4,245,250	2,112,356	1,742,872	8,100,478
Fund Balance -- June 30, 2024	\$ 4,236,472	\$ 4,104,653	\$ 2,154,491	\$ 10,495,616

The accompanying notes are an integral part of this statement.

HILL CITY SCHOOL DISTRICT NO. 51-2

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

Net Change in Fund Balances - Total Governmental Funds \$ 2,395,138

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

Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Asset Purchases Capitalized	110,429
Depreciation Expense	(380,047)
	<hr/> <u>(269,618)</u>

In the Statement of Activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. (51,658)

In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be available. This amount reflects the application of both the application period and availability criteria. 147,378

Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the Statement of Activities, expenses for these benefits are recognized when the employees earn leave credits. (6,553)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 495,000

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. 3,836

Discount on bond issue is a revenue in the fund statements but is capitalized and recognized as interest expense in the Statement of Activities. (5,231)

Changes in the pension related deferred outflows/inflows, pension asset and related pension expenses are not reported in the governmental fund statements. (66,982)

Change in Net Position of Governmental Activities \$ 2,641,310

The accompanying notes are an integral part of this statement.

HILL CITY SCHOOL DISTRICT NO. 51-2

**PROPRIETARY FUNDS BALANCE SHEET
JUNE 30, 2024**

	Food Service Fund	Fitness Center Fund	Total Proprietary Funds
ASSETS			
Current Assets:			
Cash	\$ 147,143	\$ 53,097	\$ 200,240
Accounts Receivable	7,007	-	7,007
Inventory	10,446	-	10,446
Total Current Assets	164,596	53,097	217,693
Capital Assets:			
Machinery and Equipment	140,943	-	140,943
Less Accumulated Depreciation	(138,904)	-	(138,904)
Total Noncurrent Assets	2,039	-	2,039
TOTAL ASSETS	\$ 166,635	\$ 53,097	\$ 219,732
LIABILITIES			
Current Liabilities:			
Unearned Revenue	\$ 19,532	\$ -	\$ 19,532
Total Liabilities	19,532	-	19,532
NET POSITION			
Net Investment in Capital Assets	2,039	-	2,039
Unrestricted Net Position	145,064	53,097	198,161
Total Net Position	147,103	53,097	200,200
TOTAL LIABILITIES AND NET POSITION	\$ 166,635	\$ 53,097	\$ 219,732

The accompanying notes are an integral part of this statement.

HILL CITY SCHOOL DISTRICT NO. 51-2

**PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024**

	Food Service Fund	Fitness Center Fund	Total Proprietary Funds
Operating Revenue			
<i>Sales:</i>			
To Pupils	\$ 82,944	\$ -	\$ 82,944
To Adults	2,790	-	2,790
Other	-	16,150	16,150
Total Operating Revenue	85,734	16,150	101,884
Operating Expenses			
Salaries	-	2,760	2,760
Employee Benefits	-	377	377
Purchased Services	174,044	-	174,044
Supplies	23,297	1,044	24,341
Depreciation	509	-	509
Total Operating Expenses	197,850	4,181	202,031
Operating Income (Loss)	(112,116)	11,969	(100,147)
Nonoperating Revenue			
<i>Federal Sources:</i>			
Unrestricted Grants-in-Aid Received from Federal Government Through State	88,802	-	88,802
Cash Reimbursements	12,530	-	12,530
Donated Food	7,319	-	7,319
Other Revenue	413	-	413
Total Nonoperating Revenue	109,064	-	109,064
Change in Net Position	(3,052)	11,969	8,917
Net Position -- June 30, 2023	150,155	41,128	191,283
Net Position -- June 30, 2024	\$ 147,103	\$ 53,097	\$ 200,200

The accompanying notes are an integral part of this statement.

HILL CITY SCHOOL DISTRICT NO. 51-2

**PROPRIETARY FUNDS STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024**

	Food Service Fund	Fitness Center Fund	Total Proprietary Funds
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 85,734	\$ 16,150	\$ 101,884
Payments to Suppliers	(197,341)	(1,053)	(198,394)
Payments to Employees	-	(3,137)	(3,137)
Other Disbursements	(1,732)	-	(1,732)
Net Cash Flows Used in Operating Activities	(113,339)	11,960	(101,379)
Cash Flows Provided by Noncapital Financing Activities:			
Operating Subsidies	109,064	-	109,064
Net Increase (Decrease) in Cash During the Fiscal Year	(4,275)	11,960	7,685
Cash -- June 30, 2023	151,418	41,137	192,555
Cash -- June 30, 2024	\$ 147,143	\$ 53,097	\$ 200,240
Reconciliation of Operating Income (Loss) to Net Cash Flows Provided by (Used in) Operating Activities			
Operating Income (Loss)	\$ (112,116)	\$ 11,969	\$ (100,147)
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</i>			
Depreciation Expense	509	-	509
<i>Changes in Assets and Liabilities:</i>			
Accounts Receivable	(2,204)	-	(2,204)
Inventory	(9,441)	-	(9,441)
Accounts Payable	-	(9)	(9)
Unearned Revenue	9,913	-	9,913
Net Cash Flows Provided by (Used in) Operating Activities	\$ (113,339)	\$ 11,960	\$ (101,379)
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	\$ 312	\$ -	\$ 312

The accompanying notes are an integral part of this statement.

HILL CITY SCHOOL DISTRICT NO. 51-2

**STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2024**

	Private-Purpose Trust Fund	Custodial Funds
<u>ASSETS</u>		
Cash	\$ 6,475	\$ 103,890
<hr/>		
<u>NET POSITION</u>		
Restricted:		
Scholarships	\$ 6,475	\$ -
Individuals, Organizations, and Other Governments	-	103,890
<hr/>		

The accompanying notes are an integral part of this statement.

HILL CITY SCHOOL DISTRICT NO. 51-2

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024**

	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS		
Local Contributions	\$ 250	\$ -
Contributions to Organizations	-	155,792
Interest Earnings	10	245
Total Additions	260	156,037
DEDUCTIONS		
Payments to Individuals and Organizations	-	140,744
Scholarships Awarded	1,000	-
Total Deductions	1,000	140,744
Change in Net Position	(740)	15,293
Net Position - June 30, 2023	7,215	88,597
Net Position - June 30, 2024	\$ 6,475	\$ 103,890

The accompanying notes are an integral part of this statement.

HILL CITY SCHOOL DISTRICT NO. 51-2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

(1) Summary of Significant Accounting Policies

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 funds included in this report are controlled by or dependent upon the District's Board of Education. The District participates in a cooperative service unit with several other school districts. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are disclosed in these notes because of the nature of their relationship with the District. See Note 6 entitled "Joint Venture" for specific disclosures. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments.

Use of Estimates

The preparation of the financial statements in accordance with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of certain financial statement balances. Actual results could vary from the estimates used.

Basis of Presentation

Government-wide Statements:

The Statement of Net Position and the Statement of Activities display information about the primary government of the District. These statements include the financial activities of the overall government, except for fiduciary activities. 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 generally are 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.

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

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 are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, propriety, and fiduciary. An emphasis is placed on major funds within the governmental and propriety categories.

HILL CITY SCHOOL DISTRICT NO. 51-2

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

(1) Summary of Significant Accounting Policies

Basis of Presentation

Fund Financial Statements:

A fund is considered major if it is the primary operating fund of the District or if it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures of the individual governmental or enterprise fund are at least 5 percent of the corresponding total of 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 financial reporting entity are described below:

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 school district, excluding capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes. The Capital Outlay and Special Education Funds are the special revenue funds maintained by the District.

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

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

Proprietary Funds:

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

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Food Service Fund - A fund established to record the financial transactions related to the K-12 food services operation. This fund is financed by user charges and grants. This is a major fund.

HILL CITY SCHOOL DISTRICT NO. 51-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

(1) Summary of Significant Accounting Policies

Basis of Presentation

Fund Financial Statements:

Proprietary Funds:

Fitness Center Fund - A fund established to record the financial transactions related to the fitness center. This fund is financed by user charges. This is a major fund.

Fiduciary Funds:

Fiduciary Funds are never considered to be major funds.

Private-Purpose Trust Funds - Private-Purpose Trust Funds are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The District maintains one private-purpose trust fund, which is a scholarship fund established by a donation made to the District for payment of scholarships to District students.

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

Measurement Focus and Basis of Accounting

Measurement focus is a term 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, and expenses and related liabilities are recorded when an obligation is incurred.

HILL CITY SCHOOL DISTRICT NO. 51-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

(1) Summary of Significant Accounting Policies

Measurement Focus and Basis of Accounting

Basis of Accounting:

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the District, the length of that cycle is 60 days.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred inflows are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

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

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

Inventory

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

Inventory in the enterprise fund consists of food and supplies held for consumption. Inventory is recorded at the time individual inventory items are purchased and expensed when consumed.

There are no significant amounts of governmental supplies inventory maintained by the District.

Capital Assets

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and 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 acquisition value on the date donated.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. The depreciation method used for buildings and machinery and equipment is straight-line. Land and construction in process are not depreciated.

HILL CITY SCHOOL DISTRICT NO. 51-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

(1) Summary of Significant Accounting Policies

Capital Assets

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

	Capitalization Threshold	Estimated Useful Life
Land	All	-
Buildings	\$ 50,000	50 years
Improvements	\$ 25,000	10-20 years
Equipment	\$ 5,000	5-30 years

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition. Capital assets used in the proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

Long-Term Liabilities

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

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of compensated absences, general obligation bonds, and related discount.

Funding for compensated absences are expended in the general fund and special education fund.

Long-term liabilities for governmental funds are not reported as liabilities in the 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 the proprietary fund long-term debt is on the accrual basis, the same in the fund statement as it is in the government-wide statements. There is no long-term debt in the proprietary funds.

Deferred Inflows and Outflows of Resources

In addition to assets, the Statement of Net Position may report a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period. Deferred outflows of resources consist of pension activity.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period. Deferred inflows of resources consist of property taxes and pension activity.

HILL CITY SCHOOL DISTRICT NO. 51-2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

(1) Summary of Significant Accounting Policies

Pension

For purposes of measuring the net pension asset, deferred outflows (inflows) of resources related to pensions, and pension revenue, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. District contributions and net pension asset are recognized on an accrual basis of accounting.

Program Revenues

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

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

Proprietary Funds Revenue and Expense Classifications

In the Proprietary Funds 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, non-capital financing activities, or investing activities are not reported as components of operating revenues or expenses.

Deposits and Investments

The District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes.

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 that 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 better, or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

HILL CITY SCHOOL DISTRICT NO. 51-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

(1) Summary of Significant Accounting Policies

Deposits and Investments

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 including, without limitation, United States treasury bills, notes, bonds, and other obligations issued or directly or indirectly guaranteed by the United States government, or otherwise directly or indirectly backed by the full faith and credit of the United States government; provided that, for other than permanent, trust, retirement, building, and depreciation reserve funds, such securities shall either mature within eighteen months from the date of purchase or be redeemable at the option of the holder within eighteen months from the date of purchase; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent. State law limits eligible investments for the District. The District has no investment policy that would further limit its investment choices or limit maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of June 30, 2024, the District’s cash and investments consisted only of checking, savings, nonnegotiable certificates of deposit, and money market. The bank balances at June 30, 2024 are as follows, described below:

	<u>Bank Balance</u>
Insured - FDIC/NCUA	\$ 500,000
Uninsured, collateralized in accordance with SDCL 4-6A-3	11,044,231
Total Deposits	<u>\$ 11,544,231</u>

Assignment of Investment Income:

State law allows income from deposits to be credited to either the General Fund or the fund making the investment. The District’s policy is to credit all income from deposits to the fund making the investment.

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.

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.

Custodial Credit Risk:

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, 2024, none of the District’s deposits were exposed to custodial credit risk.

Concentration Risk:

The District places no limit on the amount that may be invested in any one issuer.

HILL CITY SCHOOL DISTRICT NO. 51-2

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

(1) Summary of Significant Accounting Policies

Deposits and Investments

Cash and Cash Equivalents

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

Equity Classifications

Government-wide Statements:

Equity is classified as net position and is displayed in three components:

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

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 position are available.

Fund Financial Statements:

Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as net position held in trust for other purposes, and restricted for individuals, organizations, and other governments.

Governmental fund equity is classified as follows:

Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. There were no commitments at June 30, 2024.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the School Board, Superintendent, or Business Manager.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

HILL CITY SCHOOL DISTRICT NO. 51-2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

(1) Summary of Significant Accounting Policies

Equity Classifications

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

Emerging Accounting Standards

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences. Leave that has not been used, is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means should generally be recognized at the employee's pay rate as of the financial statement date. The standard also includes guidance for types of leave other than vacation, requires accrual of salary related payments, and changes the disclosure requirements. The statement is effective for the District's year ending June 30, 2025. The District is currently evaluating the impact this statement will have on the financial statements.

In December 2023, the Governmental Accounting Standards Board (GASB) issued Statement No. 102, *Certain Risk Disclosures*, which expands the disclosure requirements for risks related to a government's vulnerabilities due to certain concentrations or constraints. The disclosure criteria should be assessed for the primary government reporting unit and all other reporting units that report a liability for revenue debt. A disclosure shall be made in the notes to the financial statements if all of the following criteria are met: a concentration or constraint is known, the concentration or constraint makes the reporting unit vulnerable to the risk of a substantial impact, and an event related to the concentration or constraint that could have a substantial impact has occurred or is expected to occur within twelve months of the date the financial statements are issued. The statement is effective for the District's year ending June 30, 2025.

In April 2024, the Governmental Accounting Standards Board (GASB) issued Statement No. 103, *Financial Reporting Model Improvements*, which improves key components of the financial reporting model to enhance its effectiveness in providing information to the users of the financial statements. The statement redefines the information to be included in management's discussion and analysis, clarifies operating vs. nonoperating revenues and expenses in the proprietary fund statement of revenues, expenses and changes in fund net position, provides guidance on the presentation of unusual or infrequent items, updates the requirements of presentation of major component unit information, and changes the presentation of the budgetary comparison schedules. The statement is effective for the District's year ending June 30, 2026.

In September 2024, the Governmental Accounting Standards Board (GASB) issued Statement No. 104, *Disclosure of Certain Capital Assets*, which requires certain information regarding capital assets to be presented by major class. This includes lease assets, intangible right-to-use assets under public-private and public-public partnerships, subscription assets, and certain other intangible assets. In addition, new disclosures surrounding capital assets held for sale are required. The statement is effective for the District's year ending June 30, 2026.

The District is currently evaluating the impact these statements will have on the financial statements.

Subsequent Events

Subsequent events were evaluated through March 11, 2025, which is the date which the financial statements were available to be issued.

HILL CITY SCHOOL DISTRICT NO. 51-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

(2) Property Taxes

Property taxes are levied on or before each October 1, attached as an enforceable lien on property, 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. Current year property taxes receivable, which are not available as a resource that can be used to finance the current year's appropriations and therefore are not susceptible to accrual, have been deferred and are not reported as revenue in the fund or government-wide financial statements.

(3) Due from Other Governments

Amounts due from other governments include grant reimbursements and gross receipts due from the State of South Dakota in the amount of **\$110,991** and gross receipts due from Pennington County totaling **\$18,784**.

(4) Changes in Capital Assets

Changes in capital assets used in governmental activities were as follows during the year ended June 30, 2024:

	Balance June 30, 2023	Additions	Transfers/ Retirements	Balance June 30, 2024
Governmental Activities				
<i>Capital Assets, not Depreciated</i>				
Land	\$ 388,891	\$ -	\$ -	\$ 388,891
<i>Capital Assets, Depreciated</i>				
Buildings	13,800,957	90,037	(140,885)	13,750,109
Equipment	1,960,258	20,392	(47,492)	1,933,158
Improvements	1,047,501	-	-	1,047,501
	17,197,607	110,429	(188,377)	17,119,659
<i>Less Accumulated Depreciation and Amortization</i>				
Buildings	5,652,090	282,464	(89,227)	5,845,327
Equipment	1,508,356	73,714	(47,492)	1,534,578
Improvements	641,051	23,869	-	664,920
	7,801,497	380,047	(136,719)	8,044,825
Governmental Activities Capital Assets, Net	\$ 9,396,110	\$ (269,618)	\$ (51,658)	\$ 9,074,834

Depreciation and amortization expense was charged to functions within governmental activities as follows during the year then ended:

Instruction	\$ 283,477
Support Services	42,717
Co-Curricular Activities	53,853
Total Depreciation Expense	\$ 380,047

HILL CITY SCHOOL DISTRICT NO. 51-2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

(4) Changes in Capital Assets

Changes in capital assets used in business-type activities were as follows during the year ended June 30, 2024:

	Balance June 30, 2023	Additions	Transfers/ Retirements	Balance June 30, 2024
Business -Type Activities				
Machinery and Equipment	\$ 140,943	\$ -	\$ -	\$ 140,943
Less Accumulated Depreciation	138,395	509	-	138,904
Business -Type Activities Capital Assets, Net	\$ 2,548	\$ (509)	\$ -	\$ 2,039

(5) Long-Term Debt

	General Obligation	Discount on Refunding Certificates	Compensated Absences Payable	Total
Governmental Activities				
June 30, 2023 Balance	\$ 495,000	\$ (5,231)	\$ 24,119	\$ 513,888
Borrowings	-	-	24,152	24,152
Repayments	(495,000)	5,231	(17,599)	(507,368)
June 30, 2024 Balance	\$ -	\$ -	\$ 30,672	\$ 30,672
Due Within One Year	\$ -	\$ -	\$ 30,672	\$ 30,672

(6) Joint Venture

The District participates in the Black Hills Special Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special educational services to the member school districts. During the year ended June 30, 2024, 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:

Spearfish School District No. 40-2	8.33%
Lead-Deadwood School District No. 40-1	8.33%
Oelrichs School District No. 23-3	8.33%
Meade School District No. 46-1	8.33%
Rapid City Area School District No. 51-4	8.33%
Belle Fourche School District No. 9-1	8.33%
Custer School District No. 16-1	8.33%
Douglas School District No. 51-1	8.33%
Edgemont School District No. 23-1	8.33%
Haakon School District No. 27-1	8.33%
Hill City School District No. 51-2	8.33%
Hot Springs School District No. 23-2	8.33%

The co-op's governing board is composed of one representative from each member school district, who is a school board member. 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.

HILL CITY SCHOOL DISTRICT NO. 51-2

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

(6) Joint Venture

Separate financial statements for this joint venture are available from Black Hills Special Services Cooperative. At June 30, 2024, this joint venture had total fund equity of \$9,643,839 (unaudited) and long-term debt of \$205,108 (unaudited).

(7) Pension Plan

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

Benefits Provided

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service.

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

Legislation enacted in 2017 established the current Cost-of-Living Adjustment (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 percent.
- 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 percent and no greater than 3.5 percent.
- 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 percent and no greater than a restricted maximum such that, if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

All benefits except those depending on the Member's Accumulated Contributions are annually increased by COLA.

HILL CITY SCHOOL DISTRICT NO. 51-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

(7) Pension Plan

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 percent of salary; Class B Judicial Members, 9.0 percent of salary; and Class B Public Safety Members, 8.0 percent of salary. State statute also requires the employer to contribute an amount equal to the employee’s contribution. The District’s share of contributions to the SDRS for the fiscal years ended June 30, 2024, 2023, and 2022 were **\$199,037**, \$192,867 and \$178,937, respectively, equal to the required contributions each year.

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

At June 30, 2023, SDRS is 100.10 percent funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension liability of South Dakota Retirement System, for the District as of June 30, 2024 are as follows:

	<u>Total</u>
Proportionate Share of Net Position Restricted for Pension Benefits	\$ 18,073,509
Less: Proportionate Share of Total Pension Liability	(18,061,344)
<u>Proportionate Share of Net Pension Asset</u>	<u>\$ 12,165</u>

At June 30, 2024, the District reported an asset of **\$12,165** for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2023 and the total pension liability used to calculate the net pension 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, 2023, the District’s proportion was approximately 0.124641 percent, which is an decrease of 0.000253 from its proportion measured at June 30, 2022.

For the year ended June 30, 2024, the District recognized pension expense of **\$266,077**. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Experience	\$ 344,838	\$ -
Changes in Assumption	415,922	607,986
Net Difference between Projected and Actual Earnings on Pension Plan Investments	80,994	-
District Contributions Subsequent to the Measurement Date	199,037	-
<u>Total</u>	<u>\$ 1,040,791</u>	<u>\$ 607,986</u>

HILL CITY SCHOOL DISTRICT NO. 51-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

(7) Pension Plan

Deferred inflow of resources includes **\$199,037** 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue), as follows:

2025	\$	165,673
2026		(184,476)
2027		235,460
2028		17,111
	<u>\$</u>	<u>233,768</u>

Actuarial Assumptions

The total pension asset in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	Graded by years of service, from 7.66 percent at entry to 3.15 percent after 25 years of service
Discount Rate	6.50 percent, net of plan investment expense. This is composed of an average inflation rate of 2.50 percent and real returns of 4.00 percent
Future COLAs	1.91 percent

Mortality Rates:

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

Active and Terminated Vested Members:

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

Retired Members:

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

Beneficiaries:

- PubG-2010 contingent survivor mortality table

Disabled Members:

- Public Safety: PubS-2010 disabled member mortality table
- Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2022.

HILL CITY SCHOOL DISTRICT NO. 51-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

(7) Pension Plan

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, 2023 (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	56.3%	3.8%
Fixed Income	22.8%	1.7%
Debt	7.0%	2.7%
Real Estate	12.0%	3.5%
Cash	1.9%	0.8%
	100.0%	

Discount Rate

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

Sensitivity of Asset to Changes in the Discount Rate

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

District’s Proportionate Share of the Net Pension (Asset)/Liability	Current Discount		
	1% Decrease	Rate	1% Increase
	\$ 2,493,504	\$ (12,165)	\$ (2,061,325)

Pension Plan Fiduciary Net Position

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

HILL CITY SCHOOL DISTRICT NO. 51-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

(8) 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, 2024, the District managed its risks as follows:

Property/Liability Insurance:

The District purchased property/liability insurance for risks related to theft, litigation, damage to property, and errors and omissions of public officials from a commercial carrier. Settled claims for the year ended June 30, 2024 resulting from these risks did not exceed the coverage during the previous two fiscal years.

Workmen’s 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.

Health Insurance:

The District purchases health insurance through a commercial carrier.

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

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, 2024, no claims were filed for unemployment benefits. At June 30, 2024, no claims were outstanding. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

(9) Transfers

During the year ended June 30, 2024, the District transferred \$441,031 from the General Fund to the Capital Outlay Fund to cover operations.

(10) Correction of an Error

The beginning fund balance of the government-wide governmental activities has been restated to remove right-of-use assets and lease liabilities for contracts related to student transportation that were determined to not meet the definition of a lease under Governmental Accounting Standards Board Statement No. 87, Leases. A reconciliation of the prior period ending net position of the government-wide governmental activities is as follows:

Governmental Activities	
Beginning Net Position, As Previously Stated	\$ 17,807,585
Adjustment to remove right-of-use asset	(516,193)
Adjustment to remove lease liability	533,514
Net Position, As Restated	\$ 17,824,906

The above adjustment increased the government-wide governmental activities by \$17,321, decreased the right-of-use lease assets by \$516,193 and decreased the lease liability balance by \$533,514.

REQUIRED SUPPLEMENTARY INFORMATION

HILL CITY SCHOOL DISTRICT NO. 51-2

**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS (UNAUDITED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024**

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
<i>Revenue from Local Sources:</i>				
Taxes:				
Ad Valorem Taxes	\$ 3,626,401	\$ 3,626,401	\$ 4,030,839	\$ 404,438
Prior Years' Ad Valorem Taxes	15,000	15,000	17,165	2,165
Gross Receipts Taxes	60,000	60,000	78,227	18,227
Penalties and Interest on Taxes	12,500	12,500	7,637	(4,863)
Co in Lieu of Taxes	1,000	1,000	-	(1,000)
Earnings on Interest-Bearing Accounts:				
Interest Earned	-	-	28,565	28,565
Co-Curricular Activities:				
Admissions	28,000	28,000	15,657	(12,343)
Other Local Revenue:				
Rentals	2,500	2,500	2,250	(250)
Charges for Services - Medicaid	2,500	2,500	-	(2,500)
Refund of Prior Year's expenditures	-	-	60	60
Other	39,000	39,000	31,395	(7,605)
<i>Revenue from Intermediate Sources:</i>				
County Sources:				
County Apportionment	18,345	18,345	17,061	(1,284)
<i>Revenue from State Sources:</i>				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	106,606	106,606	143,367	36,761
<i>Revenue from Federal Sources:</i>				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received from Federal Government Through State	170,000	170,000	129,983	(40,017)
Restricted Grants-in-Aid Received from Federal Government Through State	147,767	147,767	209,984	62,217
Other	25,000	25,000	-	(25,000)
Total Revenues	4,254,619	4,254,619	4,712,190	457,571

HILL CITY SCHOOL DISTRICT NO. 51-2

**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS (UNAUDITED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024**

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
EXPENDITURES				
<i>Instruction:</i>				
Regular Programs:				
Elementary	1,006,231	1,006,231	1,013,921	(7,690)
Middle/Junior High School	444,506	444,506	489,885	(45,379)
High School	804,997	804,997	867,959	(62,962)
Educationally Deprived	74,782	74,782	177,645	(102,863)
<i>Support Services Pupils</i>				
Health Services	175,381	175,381	163,636	11,745
Improvement of Instruction	19,074	19,074	24,059	(4,985)
Educational Media	184,563	184,563	128,110	56,453
<i>Support Services General Administration</i>				
Board of Education	54,959	54,959	64,630	(9,671)
Executive Administration	161,578	161,578	165,786	(4,208)
School Administration:				
Office of the Principal	234,726	234,726	230,351	4,375
Fiscal Services	205,747	205,747	200,344	5,403
Operation and Maintenance of Plant	945,446	945,446	830,973	114,473
Pupil Transportation	309,500	309,500	198,686	110,814
<i>Co-Curricular Activities:</i>				
Male Activities	80,192	80,192	106,245	(26,053)
Female Activities	38,535	38,535	102,829	(64,294)
Combined Activities	254,880	254,880	68,250	186,630
Total Expenditures	4,995,097	4,995,097	4,833,309	161,788
Excess of Revenue Over (Under) Expenditures	(740,478)	(740,478)	(121,119)	619,359
Other Financing Sources				
Transfers In	740,478	740,478	-	740,478
Net Change in Fund Balance	-	-	(121,119)	(121,119)
Fund Balance -- June 30, 2023	2,378,106	2,378,106	2,378,106	-
Fund Balance -- June 30, 2024	\$ 2,378,106	\$ 2,378,106	\$ 2,256,987	\$ (121,119)

The accompanying notes to required supplementary information are an integral part of this statement.

HILL CITY SCHOOL DISTRICT NO. 51-2

**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS (UNAUDITED)
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2024**

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
<i>Revenue from Local Sources:</i>				
Taxes:				
Ad Valorem Taxes	\$ 1,875,000	\$ 1,875,000	\$ 2,265,281	\$ 390,281
Prior Years' Ad Valorem Taxes	9,000	9,000	8,538	(462)
Penalties and Interest on Taxes	4,000	4,000	4,207	207
Earnings on Interest-Bearing Accounts:				
Interest Earned	-	-	12,321	12,321
Other Local Revenue:				
Other	500	500	-	(500)
Total Revenues	1,888,500	1,888,500	2,290,347	401,847
EXPENDITURES				
<i>Instruction:</i>				
Regular Programs:				
Elementary	47,109	47,109	35,775	11,334
Middle/Junior High School	152,368	152,368	128,215	24,153
High School	234,968	234,968	249,274	(14,306)
Special Programs:				
Programs for Special Education	5,000	5,000	1,285	3,715
<i>Support Services:</i>				
Instructional Staff:				
Improvement of Instruction	-	-	35,893	(35,893)
Educational Media	75,000	75,000	27,348	47,652
Business:				
Facilities Acquisition and Construction	490,500	490,500	650,952	(160,452)
<i>Debt Service:</i>				
Principal	495,000	495,000	495,000	-
Interest	3,836	3,836	3,836	-
<i>Co-Curricular Activities:</i>				
Combined Activities	20,000	20,000	-	20,000
Total Expenditures	1,523,781	1,523,781	1,627,578	(103,797)
Excess of Revenue Over Expenditures	364,719	364,719	662,769	298,050

HILL CITY SCHOOL DISTRICT NO. 51-2

**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS (UNAUDITED)
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2024**

Other Financing Uses

Transfers In	566,550	566,550	441,031	(125,519)
Compensation for Loss of Property	-	-	888,497	888,497
Total Other Financing Uses	566,550	566,550	1,329,528	762,978
Net Change in Fund Balance	931,269	931,269	1,992,297	1,061,028
Fund Balance -- June 30, 2023	2,112,356	2,112,356	2,112,356	-
Fund Balance -- June 30, 2024	\$ 3,043,625	\$ 3,043,625	\$ 4,104,653	\$ 1,061,028

The accompanying notes to required supplementary information are an integral part of this statement.

HILL CITY SCHOOL DISTRICT NO. 51-2

**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS (UNAUDITED)
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2024**

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
<i>Revenue from Local Sources:</i>				
Taxes:				
Ad Valorem Taxes	\$ 1,119,295	\$ 1,119,295	\$ 1,367,818	\$ 248,523
Prior Years' Ad Valorem Taxes	7,000	7,000	4,650	(2,350)
Penalties and Interest on Taxes	3,000	3,000	2,285	(715)
Earnings on Interest-Bearing Accounts:				
Interest Earned	-	-	12,321	12,321
<i>Revenue from Federal Sources:</i>				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through State	66,500	66,500	102,123	35,623
Total Revenues	1,195,795	1,195,795	1,489,197	293,402
EXPENDITURES				
<i>Instruction:</i>				
Special Programs:				
Programs for Special Education	724,460	724,460	783,269	(58,809)
<i>Support Services:</i>				
Pupils:				
Psychological	43,500	43,500	32,538	10,962
Speech Pathology	100,000	100,000	96,705	3,295
Student Therapy Services	105,500	105,500	84,112	21,388
Special Education:				
Administrative Costs	94,613	94,613	80,954	13,659
Total Expenditures	1,068,073	1,068,073	1,077,578	(9,505)
Net Change in Fund Balance	127,722	127,722	411,619	283,897
Fund Balance -- June 30, 2023	1,742,872	1,742,872	1,742,872	-
Fund Balance -- June 30, 2024	\$ 1,870,594	\$ 1,870,594	\$ 2,154,491	\$ 283,897

The accompanying notes to required supplementary information are an integral part of this statement.

HILL CITY SCHOOL DISTRICT NO. 51-2

**SCHEDULE OF THE DISTRICT CONTRIBUTIONS (UNAUDITED)
JUNE 30, 2024**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually Required Contribution	\$ 199,037	\$ 192,897	\$ 178,937	\$ 175,806	\$ 175,482
Contributions in Relation to the Contractually Required Contribution	199,037	192,897	178,937	175,806	175,482
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 3,086,636	\$ 3,214,928	\$ 2,982,284	\$ 2,931,093	\$ 2,965,290
Contributions as a Percentage of Covered- Employee Payroll	6.0%	6.0%	6.0%	6.0%	6.0%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 176,996	\$ 194,686	\$ 197,288	\$ 184,593	\$ 183,638
Contributions in Relation to the Contractually Required Contribution	176,996	194,686	197,288	184,593	183,638
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 2,949,937	\$ 3,244,769	\$ 3,287,678	\$ 3,076,550	\$ 3,060,634
Contributions as a Percentage of Covered- Employee Payroll	6.0%	6.0%	6.0%	6.0%	6.0%

HILL CITY SCHOOL DISTRICT NO. 51-2

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
PENSION (ASSET)/LIABILITY (UNAUDITED)
JUNE 30, 2024**

	2024	2023	2022	2021	2020
District's Proportion of the Net Pension (Asset)/Liability	0.1246410%	0.1248940%	0.1290910%	0.1326441%	0.1387418%
District's Proportionate Share of Net Pension (Asset)/Liability	\$ (12,165)	\$ (11,803)	\$ (988,616)	\$ (5,761)	\$ (14,703)
District's Covered-Employee Payroll	\$ 3,214,928	\$ 2,982,284	\$ 2,931,093	\$ 2,965,290	\$ 2,949,937
District's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered-Employee Payroll	-0.38%	-0.40%	-33.73%	-0.19%	-0.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset)/Liability	100.1%	100.1%	105.5%	100.0%	100.1%
	2019	2018	2017	2016	2015
District's Proportion of the Net Pension (Asset)/Liability	0.1563179%	0.1618340%	0.1642107%	0.1667829%	0.1769504%
District's Proportionate Share of Net Pension (Asset)/Liability	\$ (3,646)	\$ (14,687)	\$ 554,688	\$ (707,374)	\$ (1,274,855)
District's Covered-Employee Payroll	\$ 3,244,769	\$ 3,287,678	\$ 3,076,550	\$ 3,060,634	\$ 3,060,634
District's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered-Employee Payroll	-0.11%	-0.45%	18.03%	-23.11%	-41.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset)/Liability	100.0%	100.1%	96.9%	104.1%	107.3%

HILL CITY SCHOOL DISTRICT NO. 51-2

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024**

(1) Budgets and Budgetary Accounting:

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

1. Prior to the first regular board meeting in May of each year the 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 fiduciary funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets when monies are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board. The District does not employ encumbrance accounting as an extension of formal budgetary integration.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
11. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP), except for the following:

The financial statements prepared in conformity with US GAAP present federal Impact Aid grants as revenue and related transfers out to the capital outlay fund and special education fund to meet operational needs of the other funds as blended activity in the General Fund following the implementation of GASB 54. However, under the budgetary basis of accounting, the Impact Aid revenue and related transfers out are not included in the Budgetary Required Supplementary Schedule for the General Fund. The following information is provided for purposes of reconciling the two schedules:

Impact Aid Revenue	
Unrestricted Grants-in-Aid Received Directly	
from Federal Government	\$ 441,031
Earnings on Investments and Deposits	112,341
Total Impact Aid Revenue	<u>553,372</u>
Transfers Out of Impact Aid Revenue to Other Funds	(441,031)
Net Change in Fund Balance - Impact Aid	<u>\$ 112,341</u>
Impact Aid Fund Balance	\$ 1,979,485

HILL CITY SCHOOL DISTRICT NO. 51-2

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024**

(2) Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions

Changes from Prior Valuation

The June 30, 2023, Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2022, Actuarial Valuation.

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

Benefit Provision Change

During the 2023 Legislative Session no significant SDRS benefit changes were made and emergency medical services personnel prospectively became Class B Public Safety Members.

Actuarial Method Changes

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

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% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

As of June 30, 2022 the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2023 SDRS COLA was limited to a restricted maximum of 2.10%. For the June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 2.10%.

As of June 30, 2023 the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2024 SDRS COLA is limited to a restricted maximum of 1.91%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.91%. For this June 30, 2023 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.91%.

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

SINGLE AUDIT SECTION

HILL CITY SCHOOL DISTRICT NO. 51-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

	Assistance Listing Numbers	Grant Identifying Number	Amount
<i>U.S. Department of Agriculture:</i>			
Pass-Through the S.D. Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program (Note 4)	10.555	NSLP-17-139	\$ 12,530
Cash Assistance:			
Supply Chain Assistance Program (Note 3)	10.555	NSLP-17-139	15,126
School Breakfast Program (Note 3)	10.553	N/A	22,897
National School Lunch Program (Note 3)	10.555	NSLP-17-139	60,692
Total Food Program Cluster			111,245
Pass-Through Pennington County:			
(National Forest -- SDCL 41-16-14)	10.665	N/A	129,983
Total U.S. Department of Agriculture			241,228
 <i>U.S. Department of Education:</i>			
Impact Aid	84.041	N/A	441,031
Pass-Through the S.D. Department of Education:			
Title I Programs -- Basic	84.010	N/A	104,005
Title I School Improvement	84.010	N/A	24,780
Total Title I Program			128,785
Special Education Cluster:			
Special Education -- IDEA 611 Part B	84.027	N/A	100,000
Special Education -- IDEA Preschool 619	84.173	N/A	2,123
Total Special Education Cluster			102,123
Improving Teacher Quality State Grants (Title II Part A)	84.367	N/A	26,323
Student Support and Academic Enrichment Program (Title IV)	84.424	N/A	24,440
Elementary and Secondary School Emergency Relief Fund II - COVID-19	84.425D	S425D200050	1,118
Elementary and Secondary School Emergency Relief Fund III - COVID-19	84.425D	S425D210050	29,318
Total Elementary and Secondary School Emergency Relief Fund			30,436
Total U.S. Department of Education			753,138
Total			\$ 994,366

HILL CITY SCHOOL DISTRICT NO. 51-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2024**

Note 1 – Basis of Presentation and Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Expenditures reported on the Schedule are reported on the 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.

Note 2 – Indirect Cost Rate

The District has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 – Cash Reimbursement

These amounts reflect cash received. Federal reimbursements are based on approved rates for services provided rather than reimbursement for specific expenditures.

Note 4 – Non-Monetary Assistance

These amounts include non-monetary assistance which is reported at fair market value of the commodities received and disbursed.



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

School Board
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 Hill City School District No. 51-2 (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 11, 2025.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as #2024-001 and #2024-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings as #2024-003 to be a significant deficiency.

Report on Compliance and Other Matters

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

School Board
Hill City School District No. 51-2

District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record, and its distribution is not limited.



KETEL THORSTENSON, LLP
Certified Public Accountants

March 11, 2025



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hill City School District No. 51-2's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2024. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings.

In our opinion, the District complied, in all material respects, with the 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, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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

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

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

School Board
Hill City School District No. 51-2

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 purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



KETEL THORSTENSON, LLP
Certified Public Accountants

March 11, 2025

HILL CITY SCHOOL DISTRICT NO. 51-2

**SCHEDULE OF FINDINGS
JUNE 30, 2024**

A. Summary of Audit Results

1. The Independent Auditor’s Report expresses an unmodified opinion on the financial statements of Hill City School District No. 51-2 (the District).
2. Material weaknesses were disclosed during the audit of the financial statements as reported in the 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*.
3. No instances of noncompliance material to the District’s financial statements were disclosed during the audit.
4. No material weaknesses were disclosed during the audit of the major federal award program and none are reported in the Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor’s report on compliance for the major federal award programs for the District expresses unmodified opinions on the major programs, as listed in #7.
6. There are no audit findings relative to the major federal award programs for the District.
7. The programs tested as major programs include the following:

Major Programs	ALN’s
<i>U.S. Department of Education:</i>	
Title I Programs	84.010
Impact Aid	84.041

8. The threshold for distinguishing type A and B programs was \$750,000.
9. The District was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

Material Weaknesses

#2024-001 FINDING: Financial Statement Preparation

Federal Program Affected: None

Compliance Requirement: Not Applicable

Questioned Costs: None

Condition and Cause: We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Ultimately, it is management’s responsibility to provide for the preparation of the District’s statements and the footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint, we do both for the District at the same time in connection with our audit. This is not unusual for us to do with districts of your size.

Criteria and Effect: This deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by the District’s management.

Repeat Finding from Prior Year: Yes.

HILL CITY SCHOOL DISTRICT NO. 51-2

**SCHEDULE OF FINDINGS
JUNE 30, 2024**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

Material Weaknesses

#2024-001 FINDING: Financial Statement Preparation

Recommendation: We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy, we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in the District's statements. We are satisfied that the appropriate steps have been taken to provide the District with complete financial statements. It is the responsibility of management and those charged with governance to accept the degree of risk associated with this condition because of cost or other considerations.

Response/Corrective Action Plan: Management is in agreement with the finding. See Corrective Action Plan.

#2024-002 FINDING: Internal Controls and Audit Adjustments

Federal Program Affected: None

Compliance Requirement: Not Applicable

Questioned Costs: None

Condition and Cause: During the course of our engagement we proposed material audit adjustments. Other entries were proposed as part of the audit, but were not recorded due to the overall insignificance on the financial statements.

Furthermore, we noted there is formal review of manual journal entry postings.

Criteria and Effect: District management is responsible for year-end account balances. These adjustments were not identified as a result of the District's existing internal controls and could have resulted in a material misstatement of the District's financial statements.

Without a proper review of manual journal entries, entries may be posted that are inaccurate, incomplete, or potentially fraudulent.

Repeat Finding from Prior Year: Yes.

Recommendation: We recommend the following:

- Management should continue to review and approve the pension entries.
- Adjust debt balances to reflect accurate year-end balances.
- Record amortization of bond premiums or discounts.
- Adjust capital asset activity, including depreciation and accumulated depreciation.
- Adjust inventory to reflect year-end count balances
- Adjust deferred revenue and property taxes.
- Reverse year end accounts payable and accrued liabilities from the previous period

Additionally, we recommend manual journal entry postings be reviewed by an individual with the appropriate skills and knowledge of the District's financial operations.

Response/Corrective Action Plan: Management is in agreement with the finding. See Corrective Action Plan.

HILL CITY SCHOOL DISTRICT NO. 51-2

**SCHEDULE OF FINDINGS
JUNE 30, 2024**

Significant Deficiency:

#2024-003 FINDING: Capital Asset Records

Federal Program Affected: None

Compliance Requirement: Not Applicable

Questioned Costs: None

Condition and Cause: During the course of our engagement, we determined capital asset records have not been properly maintained to support the amounts reported in the general ledger.

Criteria and Effect: District management is responsible for year-end account balances. These reconciliation differences were not identified as a result of the District's existing internal controls, however they did not result in a material misstatement of the District's financial statements.

Repeat Finding from Prior Year: No.

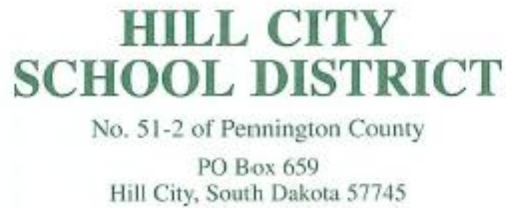
Recommendation: We have recommended the District establish and maintain adequate capital asset records. The depreciation schedule should be reviewed for accuracy throughout the year and reconciled to the general ledger.

Response/Corrective Action Plan: Management is in agreement with the finding. See Corrective Action Plan.

C. FINDINGS – COMPLIANCE AUDIT

No findings related to the major federal programs.

MANAGEMENT RESPONSE



HILL CITY SCHOOL DISTRICT 51-2

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2024**

Hill City School District 51-2 (the District) respectfully submits the following schedule of prior audit findings from the June 30, 2023 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2023 Schedule of Findings.

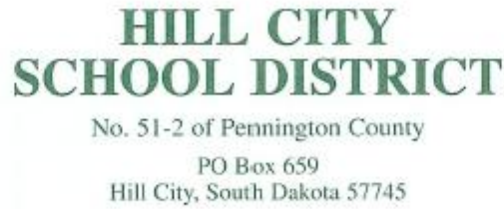
Finding No. 2023-001: Internal Control Over Year-end Closing Procedures Including Preparation of the Financial Statements

Status: It is more cost effective for the District to hire a public accounting firm to prepare the full disclosure financial statements as part of the annual audit process. The District has designated a member of management and/or a School Board representative to review the draft financial statements and accompanying notes to the financial statements.

The District also makes efforts record all year-end entries, however, multiple adjustments were made.

Initial Year Report: Originally issued years ago.

Reasons for Recurrence and Corrective Action Plan: The District has accepted the risk associated with the auditor preparing the financial statements. The finding is revised each year depending on the specific adjustments. The finding will be repeated in 2024. See Corrective Action Plan.



HILL CITY SCHOOL DISTRICT 51-2

**CORRECTIVE ACTION PLAN
JUNE 30, 2024**

Hill City School District No. 51-2 (the District) respectfully submits the following corrective action plan from the June 30, 2024 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the Schedule of Findings.

#2024-001: Financial Statement Preparation

Responsible Individuals: Cassandra Ott, Business Manager

Corrective Action Plan: The District has accepted the risk associated with requesting the auditors to prepare the financial statements and continues to plan for the auditors to prepare the reports.

Anticipated Completion Date: Ongoing

#2024-002: Internal Controls and Audit Adjustments

Responsible Individuals: Cassandra Ott, Business Manager

Corrective Action Plan: The District has accepted the risk of the auditors preparing a small number of adjusting entries. The District will continue the ongoing process of attempting to record all year end entries.

Anticipated Completion Date: Ongoing

#2024-003: Capital Asset Records

Responsible Individuals: Cassandra Ott, Business Manager

Corrective Action Plan: The District will create a separate listing to track capital assets and depreciation to agree to the general ledger.

Anticipated Completion Date: June 30, 2025