

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6

SCHOOL DISTRICT OFFICIALS

JUNE 30, 2022

Board Members:

Jeff Boomsma, President
Randy Cole
David Bixler
Steve Masat
Jeremy Bottum

Superintendent:

Jeff Clark

Business Manager:

Mandy Miller

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6

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WITH AN OFFICE IN
MOBRIDGE, SOUTH DAKOTA

**INDEPENDENT AUDITORS' 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
Hitchcock-Tulare School District No 56-6
Spink County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hitchcock-Tulare School District No 56-6, South Dakota (School District), as of June 30, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 16, 2023, which was a disclaimer of opinion on governmental activities and unqualified on all other opinion units because there was no adequate supporting documentation regarding the cost of governmental capital assets, sale of capital assets, and depreciation expense.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings, that we consider to be material weaknesses as items #2022-01, #2022-02, and #2022-03.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and which are described in the accompanying Schedule of Current Audit Findings as items #2022-02 and #2022-04.

School District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School 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.

Kohlman, Bierschbach & Anderson, LLP

May 16, 2023

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2022

PRIOR AUDIT FINDINGS:

Finding #2021-01

A material weakness was reported for a lack of segregation of duties for inventory, receivables, payables, payroll, indebtedness, equity, revenues, capital assets, and the preparation of trust and custodial receipts, disbursements, and bank reconciliations, which could result in errors not being found in a timely manner. This finding is restated as current audit finding #2022-01.

Finding #2021-02

The listing of land, buildings, and various items of equipment did not provide sufficient documentation to support the amounts reported for governmental capital assets, sale of capital assets, and depreciation expense. This results in diminished control over governmental capital assets and can result in misleading information being presented to users of the financial statements. This finding is restated as current audit finding #2022-02.

Finding #2021-03

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements. This finding is restated as current audit finding #2022-03.

Finding #2021-04

The School District went overbudget in the Capital Outlay Fund by \$110,666. This finding has been resolved.

Finding #2021-05

The School District did not follow proper bidding procedures in regards to a bus that had a total lease amount over \$50,000. This finding is restated as current audit finding #2022-04.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
SCHEDULE OF CURRENT AUDIT FINDINGS
JUNE 30, 2022

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2022-01

Criteria

Internal control can help a School District achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting, and it can help ensure that the School District complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties for inventory, receivables, payables, payroll, indebtedness, equity, revenues, capital assets, and the preparation of trust and custodial receipts, disbursements, and bank reconciliations, which could result in errors not being found in a timely manner.

Cause

The School District has one employee who prepares all accounting records, so proper segregation of duties for all areas has not been achieved.

Effect

This comment is the result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal controls.

Recommendation

We recommend the School Board take a more active role in their oversight of inventory, receivables, payables, payroll, indebtedness, equity, revenues, capital assets, and the preparation of trust and custodial receipts, disbursements, and bank reconciliations.

Views of Responsible Officials

Jeff Boomsma is the contact person responsible for the corrective action plan for this comment. Hitchcock-Tulare School District No 56-6 has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for inventory, receivables, payables, payroll, indebtedness, equity, revenues, capital assets, and the preparation of trust and custodial receipts, disbursements, and bank reconciliations. Hitchcock-Tulare School District No 56-6 is aware of this problem and is attempting to provide compensating controls by dividing duties amongst other employees. However, this lack of segregation of duties regarding inventory, receivables, payables, payroll, indebtedness, equity, revenues, capital assets, and the preparation of trust and custodial receipts, disbursements, and bank reconciliations continues to exist.

Finding #2022-02

Criteria

The School District accounting manual prepared by the State of South Dakota Department of Legislative Audit states "Schools have a substantial investment of tax dollars in the various lands, buildings, equipment and other assets owned by them. The responsibility of stewardship involved in safeguarding such a large investment is of

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
SCHEDULE OF CURRENT AUDIT FINDINGS
JUNE 30, 2022
(Continued)

the utmost importance to sound financial administration. The protective custody of these assets can only be accomplished through adequate accounting procedures and records. In addition to stewardship or protective custody of a governmental unit's property, a good system of capital asset accounting permits the fixation of responsibility for custody and proper use of specific capital assets on individual public officials."

Condition Found

The listing of land, buildings, and various items of equipment did not provide sufficient documentation to support the amounts reported for governmental capital assets, sale of capital assets, and depreciation expense. This results in diminished control over governmental capital assets and can result in misleading information being presented to users of the financial statements.

Cause

Capital asset records did not contain adequate documentation to support the costs of governmental capital assets, sale of capital assets or depreciation expense.

Effect

The financial statements may be materially misstated because governmental capital asset records are not being properly maintained.

Recommendation

We recommend the School District document the costs with copies of invoices, or reasonable estimates, with supporting documentation as to how the estimates were arrived at.

Views of Responsible Officials

Jeff Boomsma is the contact person responsible for the corrective action plan for this comment. He stated that in the future the business manager will make available copies of vouchers in order to provide sufficient documentation to support the amounts reported for governmental capital assets, sale of capital assets, and depreciation expense.

Finding #2022-03

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements.

Cause

The School District had some adjustments that needed to be made in order to get their accounting records in accordance with GAAP.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
SCHEDULE OF CURRENT AUDIT FINDINGS
JUNE 30, 2022
(Continued)

Effect

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

Recommendation

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials

Jeff Boomsma is the contact person responsible for the corrective action plan for this comment. He stated that the board will accept the degree of risk associated with the School District's ability to record, process, summarize, and report financial data due to the cost of hiring more bookkeepers for the School District.

COMPLIANCE AND OTHER MATTERS:

Finding #2022-02

This comment has already been stated under the section entitled "Internal Control-Related Findings - Material Weaknesses." See that section for more details on this comment.

Finding #2022-04

Criteria

SDCL 5-18-18.3 requires School Districts to bid certain items that they purchase, including purchases of \$100,000 or more for public improvements and purchases of \$50,000 or more for materials, building supplies, or equipment with certain exceptions. SDCL 13-24-10 states, "The proposed aggregate lease payments provided for under a lease agreement shall be subject to statutory bid requirements."

Condition Found

The School District did not follow proper bidding procedures in regards to a bus that had a total lease amount over \$50,000 and a project to tin the outside of a building was not bid.

Cause

The School District did not properly bid a bus lease or a tin project for a building.

Effect

The bus and tin were not properly bid before they were leased and purchased, respectively. Therefore, the School District was not in compliance with South Dakota Codified Law.

Recommendation

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
SCHEDULE OF CURRENT AUDIT FINDINGS
JUNE 30, 2022
(Continued)

We recommend the School District properly bid all items that are required to be bid before they are purchased or leased.

Views of Responsible Officials

Jeff Boomsma is the contact person responsible for the corrective action plan for this comment. He stated, "We will be more aware of the bid laws and put them into effect going forward."

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INDEPENDENT AUDITORS' REPORT

School Board
Hitchcock-Tulare School District No 56-6
Spink County, South Dakota

Disclaimer of Opinion and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hitchcock-Tulare School District No 56-6, South Dakota (School District), as of June 30, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Disclaimer
Business-Type Activities	Unmodified
General Fund	Unmodified
Capital Outlay Fund	Unmodified
Special Education Fund	Unmodified
Food Service Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Disclaimer of Opinion on Governmental Activities

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion and Unmodified Opinions" section of the report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the governmental activities opinion unit. Accordingly, we do not express an opinion on these financial statements.

Unmodified Opinions on Business-Type Activities, Each Major Fund and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Hitchcock-Tulare School District No 56-6, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Disclaimer of Opinion and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinions.

Matter Giving Rise to Disclaimer of Opinion on the Governmental Activities

As discussed in Note 9 to the financial statements, management does not have adequate supporting documentation for certain governmental capital assets in governmental activities and, accordingly, does not have adequate supporting documentation for the sale of capital assets and depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those governmental capital assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, revenues, and expenses of the governmental activities is not reasonably determinable.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' report that includes our opinions. Because of the matter described in the Basis for Disclaimer of Opinion and Unmodified Opinions section, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the governmental activities. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such

procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the School District Pension Contributions on pages 46 through 52 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.

The School District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 16, 2023, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School

District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.

Kohlman, Bierschbach & Anderson, LLP

May 16, 2023

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6

STATEMENT OF NET POSITION

JUNE 30, 2022

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 2,642,863	\$ 37,265	\$ 2,680,128
Investments	56,486	--	56,486
Taxes receivable	1,260,668	--	1,260,668
Inventories	--	3,086	3,086
Other assets	121,285	5,461	126,746
Restricted Assets:			
Cash and cash equivalents	--	8,187	8,187
Net pension asset	582,068	16,206	598,274
Capital Assets:			
Land, improvements and construction/development in progress	7,300	--	7,300
Other capital assets, net of depreciation/amortization	<u>9,070,544</u>	<u>59,710</u>	<u>9,130,254</u>
TOTAL ASSETS	<u>13,741,214</u>	<u>129,915</u>	<u>13,871,129</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	<u>795,762</u>	<u>19,993</u>	<u>815,755</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>795,762</u>	<u>19,993</u>	<u>815,755</u>
LIABILITIES:			
Accounts payable	16,012	--	16,012
Other current liabilities	210,103	6,061	216,164
Unearned revenue	--	11,316	11,316
Noncurrent Liabilities:			
Due within one year	531,472	--	531,472
Due in more than one year	<u>2,688,760</u>	<u>--</u>	<u>2,688,760</u>
TOTAL LIABILITIES	<u>3,446,347</u>	<u>17,377</u>	<u>3,463,724</u>
DEFERRED INFLOWS OF RESOURCES:			
Taxes levied for future period	1,580,999	--	1,580,999
Pension related deferred inflows	<u>1,131,155</u>	<u>30,718</u>	<u>1,161,873</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,712,154</u>	<u>30,718</u>	<u>2,742,872</u>
NET POSITION:			
Net investment in capital assets	5,868,662	59,710	5,928,372
Restricted for:			
Capital outlay purposes	1,435,157	--	1,435,157
Special education purposes	373,999	--	373,999
SDRS pension purposes	246,675	5,481	252,156
Unrestricted	<u>453,982</u>	<u>36,622</u>	<u>490,604</u>
TOTAL NET POSITION	<u>\$ 8,378,475</u>	<u>\$101,813</u>	<u>\$ 8,480,288</u>

The notes to the financial statements are an integral part of this statement.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Business- Type Activities
					Governmental Activities	Total
Primary Government:						
Governmental Activities:						
Instruction	\$1,791,524	\$ --	\$231,010	\$65,819	\$(1,494,695)	\$(1,494,695)
Support services	1,116,606	2,873	6,585	34,004	(1,073,144)	(1,073,144)
*Interest on long-term debt	97,690	--	--	--	(97,690)	(97,690)
Cocurricular activities	138,672	21,815	3,952	--	(112,905)	(112,905)
**Depreciation-unallocated	<u>71,766</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(71,766)</u>	<u>(71,766)</u>
Total Governmental Activities	<u>3,216,258</u>	<u>24,688</u>	<u>241,547</u>	<u>99,823</u>	<u>(2,850,200)</u>	<u>(2,850,200)</u>
Business-Type Activities:						
Food service	132,380	3,809	141,429	--		\$ 12,858
Preschool	<u>11,242</u>	<u>14,461</u>	<u>10,207</u>	<u>--</u>		<u>13,426</u>
Total Business-Type Activities	<u>143,622</u>	<u>18,270</u>	<u>151,636</u>	<u>--</u>		<u>26,284</u>
Total Primary Government	<u>\$3,359,880</u>	<u>\$42,958</u>	<u>\$393,183</u>	<u>\$99,823</u>	<u>(2,850,200)</u>	<u>(2,823,916)</u>
* The School District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.		General Revenues:				
		Taxes:				
		Property taxes				
		Utility taxes				
		Revenue from state sources:				
		State aid				
		Other				
		Grants and contributions not restricted to specific programs				
		Unrestricted investment earnings				
		Other general revenues				
		Total General Revenues				
		CHANGE IN NET POSITION				
		NET POSITION - BEGINNING				
		Adjustment:				
		Lease adjustment due to GASB 87				
		ADJUSTED NET POSITION - BEGINNING				
		NET POSITION - ENDING				

The notes to the financial statements are an integral part of this statement.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 698,984	\$1,512,801	\$431,078	\$2,642,863
Investments	56,486	--	--	56,486
Taxes receivable - current	613,558	480,475	157,973	1,252,006
Taxes receivable - delinquent	4,858	2,835	969	8,662
Due from federal government	1,160	--	--	1,160
Due from state government	25,244	--	--	25,244
Due from county government	74,994	--	--	74,994
Prepaid expenses	19,887	--	--	19,887
TOTAL ASSETS	<u>\$1,495,171</u>	<u>\$1,996,111</u>	<u>\$590,020</u>	<u>\$4,081,302</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ 15,395	\$ --	\$ 617	\$ 16,012
Contracts payable	158,492	--	27,369	185,861
Payroll deductions and withholdings and employer matching payable	20,644	--	3,598	24,242
TOTAL LIABILITIES	<u>194,531</u>	<u>--</u>	<u>31,584</u>	<u>226,115</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	4,858	2,835	969	8,662
Taxes levied for future period	835,608	560,954	184,437	1,580,999
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>840,466</u>	<u>563,789</u>	<u>185,406</u>	<u>1,589,661</u>
FUND BALANCES:				
Nonspendable	19,887	--	--	19,887
Restricted	--	1,432,322	373,030	1,805,352
Unassigned	440,287	--	--	440,287
TOTAL FUND BALANCES	<u>460,174</u>	<u>1,432,322</u>	<u>373,030</u>	<u>2,265,526</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$1,495,171</u>	<u>\$1,996,111</u>	<u>\$590,020</u>	<u>\$4,081,302</u>

The notes to the financial statements are an integral part of this statement.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total Fund Balances - Governmental Funds \$ 2,265,526

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

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. 582,068

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. 9,077,844

Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. 795,762

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

CO Certificates	\$2,900,000	
Unamortized Premium	\$ 84,046	
Direct Borrowings	\$ 150,286	
Lease	\$ 7,991	
Accrued Leave	\$ 11,050	
Other Long-Term Debt	\$ <u>66,859</u>	(3,220,232)

Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.

Taxes Receivable	\$ <u>8,662</u>	8,662
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Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. (1,131,155)

Net Position - Governmental Activities \$ 8,378,475

The notes to the financial statements are an integral part of this statement.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Total Governmental Funds</u>
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$1,697,890	\$1,113,337	\$374,428	\$3,185,655
Prior years' ad valorem taxes	6,713	5,323	1,773	13,809
Utility taxes	100,238	--	--	100,238
Penalties and interest on taxes	4,054	2,478	833	7,365
Earnings on investments and deposits	149	--	--	149
Cocurricular activities:				
Admissions	21,815	--	--	21,815
Other revenue from local sources:				
Contributions and donations	--	1,514	--	1,514
Charges for services	2,534	--	339	2,873
Other	10,873	--	--	10,873
Revenue from Intermediate Sources:				
County sources:				
County apportionment	13,617	--	--	13,617
Revenue in lieu of taxes	3,201	--	--	3,201
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	377,641	--	--	377,641
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received directly from federal government	11,089	--	--	11,089
Restricted grants-in-aid received from federal government through the state	<u>241,113</u>	<u>78,643</u>	<u>10,525</u>	<u>330,281</u>
TOTAL REVENUES	<u>2,490,927</u>	<u>1,201,295</u>	<u>387,898</u>	<u>4,080,120</u>
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	798,871	24,419	--	823,290
Middle/Junior high	131,791	17,940	--	149,731
High school	435,152	--	--	435,152
Special programs:				
Programs for special education	--	1,756	390,081	391,837
Educationally deprived	106,833	--	--	106,833

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Total Governmental Funds</u>
Support Services:				
Students:				
Guidance	10,797	--	--	10,797
Health	570	--	--	570
Psychological	--	--	5,456	5,456
Speech pathology	--	--	12,811	12,811
Student therapy services	--	--	1,465	1,465
Instructional staff:				
Improvement of instruction	1,016	20,119	--	21,135
Educational media	26,500	45,277	--	71,777
General administration:				
Board of education	44,800	--	--	44,800
Executive administration	138,650	--	--	138,650
School administration:				
Office of the principal	23,493	--	--	23,493
Business:				
Fiscal services	109,725	4,652	--	114,377
Facilities acquisition and construction	--	180,058	--	180,058
Operation and maintenance of plant	367,981	27,474	--	395,455
Student transportation	125,317	1,999	--	127,316
Debt Services	--	598,410	--	598,410
Cocurricular Activities:				
Male activities	31,060	--	--	31,060
Female activities	23,192	--	--	23,192
Transportation	15,045	--	--	15,045
Combined activities	68,539	5,500	--	74,039
Capital Outlay	<u>--</u>	<u>53,750</u>	<u>--</u>	<u>53,750</u>
TOTAL EXPENDITURES	<u>2,459,332</u>	<u>981,354</u>	<u>409,813</u>	<u>3,850,499</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>31,595</u>	<u>219,941</u>	<u>(21,915)</u>	<u>229,621</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	100,000	--	--	100,000
Transfers out	--	(100,000)	--	(100,000)
General long-term debt issued	<u>--</u>	<u>53,749</u>	<u>--</u>	<u>53,749</u>

The notes to the financial statements are an integral part of this statement.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022
(CONTINUED)

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Total Governmental Funds</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>100,000</u>	<u>(46,251)</u>	<u>--</u>	<u>53,749</u>
NET CHANGE IN FUND BALANCES	131,595	173,690	(21,915)	283,370
FUND BALANCE - BEGINNING	<u>328,579</u>	<u>1,258,632</u>	<u>394,945</u>	<u>1,982,156</u>
FUND BALANCE - ENDING	<u>\$ 460,174</u>	<u>\$1,432,322</u>	<u>\$373,030</u>	<u>\$2,265,526</u>

The notes to the financial statements are an integral part of this statement.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Net Change in Fund Balances - Total Governmental Funds \$283,370

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

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements. 53,750

This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. (71,766)

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

CO Certificates	\$ 435,000		
Direct Borrowings	\$ 31,887		
Lease	\$ 5,157		
Other Long-Term Debt	<u>\$ 13,376</u>		485,420

The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government-wide statements.

Direct Borrowings	<u>\$ 53,749</u>		(53,749)
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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." 40

Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated 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 or elect to retire early.

Sick Leave	<u>\$ 124</u>		124
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Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the government funds. 151,413

Governmental funds report the effect of premiums when the debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities. This is the total amount of the premiums amortized in the current period. 15,300

Change in Net Position of Governmental Activities \$863,902

The notes to the financial statements are an integral part of this statement.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	<u>Enterprise Funds</u>		
	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	<u>Totals</u>
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 16,894	\$20,371	\$ 37,265
Accounts receivable, net	5,461	--	5,461
Inventory of supplies	2,198	--	2,198
Inventory of stores for resale	589	--	589
Inventory of donated food	<u>299</u>	<u>--</u>	<u>299</u>
Total Current Assets	<u>25,441</u>	<u>20,371</u>	<u>45,812</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	8,187	--	8,187
Net pension asset	12,920	3,286	16,206
Capital Assets:			
Machinery and equipment - local funds	134,168	--	134,168
Less: accumulated depreciation	<u>(74,458)</u>	<u>--</u>	<u>(74,458)</u>
Total Noncurrent Assets	<u>80,817</u>	<u>3,286</u>	<u>84,103</u>
TOTAL ASSETS	<u>106,258</u>	<u>23,657</u>	<u>129,915</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	<u>15,819</u>	<u>4,174</u>	<u>19,993</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>15,819</u>	<u>4,174</u>	<u>19,993</u>
LIABILITIES:			
Current Liabilities:			
Contracts payable	3,713	1,620	5,333
Payroll deductions and withholdings and employer matching payable	507	221	728
Unearned revenue	<u>11,316</u>	<u>--</u>	<u>11,316</u>
TOTAL LIABILITIES	<u>15,536</u>	<u>1,841</u>	<u>17,377</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferred inflows	<u>24,146</u>	<u>6,572</u>	<u>30,718</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>24,146</u>	<u>6,572</u>	<u>30,718</u>

	<u>Enterprise Funds</u>		<u>Totals</u>
	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	
NET POSITION:			
Net investment in capital assets	59,710	--	59,710
Restricted for:			
SDRS pension purposes	4,593	888	5,481
Unrestricted net position	<u>18,092</u>	<u>18,530</u>	<u>36,622</u>
TOTAL NET POSITION	<u>\$ 82,395</u>	<u>\$19,418</u>	<u>\$101,813</u>

The notes to the financial statements are an integral part of this statement.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2022

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
OPERATING REVENUE:			
Food Sales:			
Student	\$ 172	\$ --	\$ 172
Adult	3,424	--	3,424
Other Charges for Goods and Services	<u>213</u>	<u>14,461</u>	<u>14,674</u>
TOTAL OPERATING REVENUE	<u>3,809</u>	<u>14,461</u>	<u>18,270</u>
OPERATING EXPENSES:			
Salaries	39,117	9,950	49,067
Employee benefits	12,168	570	12,738
Purchased services	1,091	--	1,091
Supplies	6,527	22	6,549
Cost of sales - purchased	48,288	--	48,288
Cost of sales - donated	15,238	--	15,238
Bad debt	--	700	700
Depreciation	<u>9,951</u>	<u>--</u>	<u>9,951</u>
TOTAL OPERATING EXPENSES	<u>132,380</u>	<u>11,242</u>	<u>143,622</u>
OPERATING INCOME (LOSS)	<u>(128,571)</u>	<u>3,219</u>	<u>(125,352)</u>
NONOPERATING REVENUE:			
Other local revenue	--	10,207	10,207
State grants	285	--	285
Federal grants	129,430	--	129,430
Donated food	<u>11,714</u>	<u>--</u>	<u>11,714</u>
TOTAL NONOPERATING REVENUE	<u>141,429</u>	<u>10,207</u>	<u>151,636</u>
CHANGE IN NET POSITION	12,858	13,426	26,284
NET POSITION - BEGINNING	<u>69,537</u>	<u>5,992</u>	<u>75,529</u>
NET POSITION - ENDING	<u>\$ 82,395</u>	<u>\$19,418</u>	<u>\$ 101,813</u>

The notes to the financial statements are an integral part of this statement.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2022

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers	\$ 16,712	\$ 14,661	\$ 31,373
Cash payments to employees for services	(54,722)	(9,436)	(64,158)
Cash payments to suppliers of goods or services	(57,431)	(22)	(57,453)
Net cash provided (used) by operating activities	(95,441)	5,203	(90,238)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Decrease in due to General Fund	(10,852)	--	(10,852)
Noncapital contribution	--	10,207	10,207
Operating grants	131,374	--	131,374
Net cash flows from noncapital financing activities	120,522	10,207	130,729
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	--	--	--
CASH FLOWS FROM INVESTING ACTIVITIES	--	--	--
NET INCREASE IN CASH AND CASH EQUIVALENTS	25,081	15,410	40,491
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	--	4,961	4,961
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 25,081	\$ 20,371	\$ 45,452
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>			
OPERATING INCOME (LOSS)	\$(128,571)	\$ 3,219	\$(125,352)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Depreciation/amortization expense	9,951	--	9,951
Value of donated commodities used	15,238	--	15,238
Bad debt	--	700	700
Change in assets and liabilities:			
Receivables	4,288	200	4,488
Inventories	(1,525)	--	(1,525)
Pension related deferred outflows	(5,905)	(1,361)	(4,367)
Net pension asset	(12,849)	(3,272)	(19,020)
Accounts and other payables	9	221	230
Contracts payable	88	1,620	1,708
Pension related deferred inflows	15,220	3,876	19,096
Unearned revenue	8,615	--	8,615

	<u>Enterprise Funds</u>		
	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	<u>Totals</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$(95,441)</u>	<u>\$ 5,203</u>	<u>\$(90,238)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Value of commodities received	<u>\$ 11,714</u>	<u>\$ --</u>	<u>\$ 11,714</u>

The notes to the financial statements are an integral part of this statement.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022

	Custodial Funds
ASSETS:	
Cash and cash equivalents	\$48,824
TOTAL ASSETS	<u>\$48,824</u>
NET POSITION:	
Restricted for:	
Individuals, organizations, and other governments	\$48,824
TOTAL NET POSITION	<u>\$48,824</u>

The notes to the financial statements are an integral part of this statement.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2022

	<u>Custodial Funds</u>
ADDITIONS:	
Collections for student activities	<u>\$115,621</u>
TOTAL ADDITIONS	<u>115,621</u>
DEDUCTIONS:	
Payments for student activities	<u>128,755</u>
TOTAL DEDUCTIONS	<u>128,755</u>
CHANGE IN NET POSITION	(13,134)
NET POSITION - BEGINNING	<u>61,958</u>
NET POSITION - ENDING	<u>\$ 48,824</u>

The notes to the financial statements are an integral part of this statement.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of Hitchcock-Tulare School District No 56-6 (School 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 School District participates in a cooperative service unit with several other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the School District.

b. Basis of Presentation:

Government-Wide Financial Statements:

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

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position are 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 School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 1 - (Continued)

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

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the School District financial reporting entity are described below within their respective fund types:

Governmental Funds:

General Fund - A fund established by South Dakota Codified Law (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 that are legally restricted to expenditures for specified purposes.

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

Special Education Fund - A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the School 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.)

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 1 - (Continued)

- 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 used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is a major fund.

Preschool Fund - A fund used to record financial transactions related to preschool operations. This fund is financed by user charges. This is not a major fund and is the only "Other Enterprise Fund" in the Proprietary Fund financial statements.

Fiduciary Funds:

Fiduciary funds consist of the following sub-category and are never considered to be major funds.

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 School District maintains custodial funds for the following purposes:

To hold money for classes and organizations of the School.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - (Continued)

Government-Wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental fund types 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 for the School District is 60 days. The revenues which are accrued at June 30, 2022, are federal, state and county revenues.

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

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

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

d. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

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

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - (Continued)

Government-Wide Financial Statements:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The total June 30, 2022 balance of capital assets for governmental activities for which the costs were determined by estimates of the original costs is unknown. The total June 30, 2022 balance of capital assets for business-type activities includes approximately 8 percent for which the values were determined by estimates of the original costs. These estimated original costs were established by estimates received from the entity from which the assets were purchased.

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

Depreciation/amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation/Amortization, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation/amortization is reported on the government-wide Statement of Net Position and on the proprietary fund's Statement of Net Position.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ -	N/A	N/A
Improvements	\$25,000	Straight-line	Unknown
Buildings	\$50,000	Straight-line	Unknown
Machinery and Equipment - Governmental Activities	\$ 5,000	Straight-line	Unknown
Machinery and Equipment - Business- Type Activities	\$ 1,000	Straight-line	12 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - (Continued)

proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

f. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of compensated absences, lease liabilities, direct borrowings, capital outlay certificates, and South Dakota State Energy Efficiency School Loan.

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

g. Leases:

Lessee:

The School District is a lessee for noncancellable leases of copiers and buses. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$1 or more.

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

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

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

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

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - (Continued)

the amount of the lease liability.

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

h. Program Revenues:

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

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary 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 for use in a particular program.

i. Deferred Inflows and Deferred Outflows of Resources:

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

j. Proprietary Funds Revenue and Expense Classifications:

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

k. Cash and Cash Equivalents:

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

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 1 - (Continued)

1. Equity Classifications:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

m. Application of Net Position:

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

n. Fund Balance Classification Policies and Procedures:

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

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

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

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - (Continued)

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.

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

The Nonspendable Fund Balance is comprised of the following:

Amount reported in nonspendable form such as prepaid expenses.

The School District uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund	Federal Funding, Property Taxes
Special Education Fund	Federal Funding, Property Taxes

A schedule of fund balances is provided as follows:

Hitchcock-Tulare School District No 56-6
Disclosure of Fund Balances Reported on Balance Sheet
Governmental Funds
June 30, 2022

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Nonspendable:				
Prepaid expenses	\$ 19,887	\$ --	\$ --	\$ 19,887
Restricted for:				
Capital Outlay Fund	--	1,432,322	--	1,432,322
Special Education Fund	--	--	373,030	373,030
Unassigned	<u>440,287</u>	<u>--</u>	<u>--</u>	<u>440,287</u>
Total Fund Balances	<u>\$460,174</u>	<u>\$1,432,322</u>	<u>\$373,030</u>	<u>\$2,265,526</u>

o. Pensions:

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

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 2 - IMPLEMENTATION OF NEW ACCOUNTING STANDARD

On July 1, 2021, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases accounting standard. This statement changes the way that, previously known as, operating leases are reported. The effect of the implementation of this standard on beginning net position is disclosed in Note 18.

NOTE 3 - VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The School District is prohibited by statute from spending in excess of appropriated amounts at the fund level. The following represents the significant overdrafts of the expenditures compared to appropriations:

	Year Ended <u>6/30/2022</u>
General Fund	\$31,522

The Governing Board plans to take the following actions to address this violation: Moving forward we will make the appropriate budget amendments to avoid going over budget.

NOTE 4 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The School District follows the practice of aggregating the cash assets of all the funds, except for Custodial Funds, to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - In general, SDCL 4-5-6 permits school district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no load fund administered by an investment company whose investments are in securities described in (a) 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 may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

As of June 30, 2022, the School District investments reported in the financial statements consist of only certificates of deposit.

Credit Risk - State law limits eligible investments for the School District, as discussed above. The School District

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 - (Continued)

has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer. More than 5 percent of the School District's investments are in certificates of deposits - 100%.

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

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from deposits and investments to the General Fund, except for all accumulated interest from certificates of deposit, which will be receipted back into the designated CD funds. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

NOTE 5 - RESTRICTED CASH AND INVESTMENTS

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

Amount:	Purpose:
\$8,187	Food Service restriction for certain foods as required by the federal government.

NOTE 6 - RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Appropriate allowances for estimated uncollectibles have been determined to be immaterial, and have not been recorded on the financial statements.

NOTE 7 - INVENTORY

Inventory held for consumption is stated at cost.

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

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

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 7 - (Continued)

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by a Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. There was no inventory reported in the current year in the governmental fund financial statements.

NOTE 8 - PROPERTY TAXES

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred inflow of resources-property taxes levied for future period in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

NOTE 9 - CHANGES IN CAPITAL ASSETS

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

Primary Government

	Balance 07/01/21	Increases	Decreases	Balance 06/30/22
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,300	\$ --	\$ --	\$ 7,300
Total capital assets, not being depreciated	7,300	--	--	7,300
Capital assets, being depreciated:				
Improvements	412,969	--	--	412,969
Buildings	8,597,421	--	--	8,597,421
Machinery and equipment	595,836	53,750	--	649,586
Total capital assets, being depreciated	9,606,226	53,750	--	9,659,976
Less accumulated depreciation for:				
Improvements	37,904	9,476	--	47,380
Buildings	175,968	5,287	--	181,255
Machinery and equipment	303,794	57,003	--	360,797
Total accumulated depreciation	517,666	71,766	--	589,432

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 - (Continued)

	<u>Balance</u> <u>07/01/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/22</u>
Total capital assets, being depreciated, net	9,088,560	(18,016)	--	9,070,544
Governmental activity capital assets, net	\$9,095,860	\$(18,016)	\$ --	\$9,077,844

Depreciation expense was charged to functions as follows:

Governmental activities:

Depreciation - unallocated \$71,766

	<u>Balance</u> <u>07/01/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/22</u>
Business-type activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$134,168	\$ --	\$ --	\$134,168
Less accumulated depreciation for:				
Machinery and equipment	64,507	9,951	--	74,458
Business-type activity capital assets, net	\$ 69,661	\$(9,951)	\$ --	\$ 59,710

Depreciation expense was charged to functions as follows:

Business-type activities:

Food Services \$9,951

Total Depreciation expense - Business-type activities \$9,951

Capital asset records do not contain adequate documentation to support the costs of governmental capital assets or depreciation expense. The School District will attempt to establish proper governmental capital asset records in the future by verifying actual costs, or estimating costs.

NOTE 10 - LONG-TERM LIABILITIES

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

PRIMARY GOVERNMENT

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 - (Continued)

	<u>Beginning Balance</u>	<u>Prior Year Restatement</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:						
Bonds Payable:						
Capital Outlay						
Certificates	\$3,335,000	\$ --	\$ --	\$435,000	\$2,900,000	\$445,000
Premium on Capital						
Outlay Certificates	99,346	--	--	15,300	84,046	15,300
South Dakota State						
Energy Efficiency						
School Loan	80,235	--	--	13,376	66,859	--
Direct Borrowings	128,424	--	53,749	31,887	150,286	64,751
Leases	--	13,148	--	5,157	7,991	6,297
Accrued Compensated						
Absences	<u>11,174</u>	<u>--</u>	<u>--</u>	<u>124</u>	<u>11,050</u>	<u>124</u>
 Total Governmental						
Activities	<u>3,654,179</u>	<u>13,148</u>	<u>53,749</u>	<u>500,844</u>	<u>3,220,232</u>	<u>531,472</u>
 Total Primary						
Government	<u>\$3,654,179</u>	<u>\$13,148</u>	<u>\$53,749</u>	<u>\$500,844</u>	<u>\$3,220,232</u>	<u>\$531,472</u>

Compensated absences for governmental activities typically have been liquidated from the General Fund.

Liabilities payable at June 30, 2022, are comprised of the following:

PRIMARY GOVERNMENT

Governmental Activities:

Compensated Absences:

 Payable from the General Fund. \$ 11,050

Direct Borrowings:

 The School District is leasing a bus for \$14,500 per year for 4 years with a final payment of \$38,328 in July 2025 with an option to purchase for \$1 at the end of the lease with an interest rate of 4.5%. Payments are being made out of the Capital Outlay Fund. \$ 60,740

 The School District is also leasing a bus for \$13,310 per year for 5 years with a final payment of \$47,010 in August 2022 with a down payment of \$13,310 with an interest rate of 3.834%. Payments are being made out of the Capital Outlay Fund. \$ 45,275

 The School District is leasing a bus for \$9,479 per year for 5 years with a final payment of \$12,000 in December 2026 with an option to purchase for \$1 at the end of the lease with an interest rate of 4%. Payments are being made out of the Capital Outlay Fund. \$ 44,271

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 - (Continued)

Leases:

The School District is leasing two copiers for \$6,908 per year for 3 years with an interest rate of 11.812% with a final payment in September 2023. Payments are being made out of the Capital Outlay Fund.

\$ 7,991

Capital Outlay Certificates:

Requires semi-annual payments of not more than \$484,638 for the year, from the Capital Outlay Fund with a varying interest rate from 1.0% to 4.0%. The first payment of interest only was in June of 2015, and the first payment of principal and interest in December of 2015 with the final payment to be made in December of 2027. There was a reoffering premium of \$215,475 which is included in the loan value and will be amortized over the life of the loan.

\$2,390,000

Requires semi-annual payments of not more than \$94,500 for the year, from the Capital Outlay Fund with a varying interest rate from 0.9% to 2.6%. The first payment of principal and interest in December of 2016 with the final payment to be made in December of 2027. There was a reoffering discount of \$18,804 which is included in the loan value and will be amortized over the life of the loan.

\$ 510,000

Other Long-Term Debt:

The South Dakota State Energy Efficiency School Loan was used on energy efficient lighting. Requires annual payments beginning July 2018 of \$13,375 for 10 years with a final payment of \$13,359 in July 2027 from the Capital Outlay Fund with an interest rate of 0%.

\$ 66,859

The annual debt service requirements to maturity, except for compensated absences, for all debt outstanding as of June 30, 2022, are as follows:

Annual Requirements to Maturity for Long-Term Liabilities
June 30, 2022

Year Ending June 30,	Capital Outlay Certificates		Leases		Notes from Direct Borrowings		SD State Energy Efficiency School Loan	Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2023	\$ 445,000	\$ 91,993	\$6,297	\$610	\$ 64,751	\$ 6,239	\$ --	\$ 516,048	\$ 98,842
2024	460,000	75,573	1,694	33	20,312	3,666	13,375	495,381	79,272
2025	480,000	61,813	--	--	45,015	2,792	13,375	538,390	64,605
2026	485,000	47,456	--	--	8,671	808	13,375	507,046	48,264
2027	505,000	29,075	--	--	11,537	462	13,375	529,912	29,537
2028	525,000	9,824	--	--	--	--	13,359	538,359	9,824
	<u>\$2,900,000</u>	<u>\$315,734</u>	<u>\$7,991</u>	<u>\$643</u>	<u>\$150,286</u>	<u>\$13,967</u>	<u>\$66,859</u>	<u>\$3,125,136</u>	<u>\$330,344</u>

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 - RESTRICTED NET POSITION

Restricted net position for the year ended June 30, 2022, was as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
Capital Outlay Purposes	Law	\$1,435,157
Special Education Purposes	Law	373,999
Other Purposes:		
SDRS Pension Purposes	Law	<u>252,156</u>
Total Restricted Net Position		<u>\$2,061,312</u>

These balances are restricted due to federal grant, debt covenants, and statutory requirements.

NOTE 12 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2022, were as follows:

	<u>Transfers to:</u>	
<u>Transfers From:</u>	<u>General Fund</u>	<u>Total</u>
Major Funds:		
Capital Outlay	\$100,000	\$100,000
Total	<u>\$100,000</u>	<u>\$100,000</u>

The School District transferred money from the Capital Outlay Fund to the General Fund to provide money for general operation.

NOTE 13 - PENSION PLAN

Plan Information:

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

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13 - (Continued)

Benefits Provided:

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

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

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2022, 2021 and 2020, were \$105,735, \$106,484, and \$103,863, respectively, equal to the required contributions each year.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13 - (Continued)

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

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

Proportionate share of pension liability	\$10,832,547
Less proportionate share of net pension restricted for pension benefits	<u>11,430,821</u>
Proportionate share of net pension asset	<u>\$ (598,274)</u>

At June 30, 2022, the School District reported an asset of \$598,274 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the School District's proportion was .078121%, which is a decrease of .0007054% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District recognized reduction of pension expense of \$155,703. At June 30, 2022, the School 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	\$ 21,480	\$ 1,569
Changes in assumption	688,008	299,607
Net difference between projected and actual earnings on pension plan investments	--	854,645
Changes in proportion and difference between School District contributions and proportionate share of contributions	532	6,052
School District contributions subsequent to the measurement date	<u>105,735</u>	<u>--</u>
Total	<u>\$815,755</u>	<u>\$1,161,873</u>

\$105,735 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ending June 30:

2023	\$(112,645)
2024	(77,278)
2025	(21,500)

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13 - (Continued)

2026	(240,430)
Total	\$(451,853)

Actuarial Assumptions:

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

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

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period of July 1, 2011, to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	<u>2.0%</u>	0.9%
Total	<u>100.0%</u>	

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13 - (Continued)

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member 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 Liability (Asset) to Changes in the Discount Rate:

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	<u>\$968,753</u>	<u>\$(598,274)</u>	<u>\$(1,870,334)</u>

Pension Plan Fiduciary Net Position:

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

NOTE 14 - JOINT VENTURES

The School District participates in the joint venture known as the North Central Special Ed Coop formed for the purpose of providing special education services and other educational services to the member school districts. The members of the co-op and their relative percentage participation in the co-op are as follows:

Doland	11.11%
Langford Area	11.11%
Northwestern Area	11.11%
Groton Area	11.11%
Warner	11.11%
Hitchcock-Tulare	11.11%
Frederick Area	11.11%
Leola	11.11%
Edmunds Central	11.11%

The North Central Special Ed Coop's governing board is composed of one representative from each member school district. The board is responsible for adopting the joint venture's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains no equity in the net position of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 14 - (Continued)

Separate financial statements for this joint venture are available from North Central Special Ed Coop.

At June 30, 2022, this joint venture had total assets of \$418,389, total liabilities of \$0, and net position of \$418,389.

NOTE 15 - RISK MANAGEMENT

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

Employee Health Insurance:

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage also does not have a lifetime maximum payment per person.

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

Liability Insurance:

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

Workers' Compensation:

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provides workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 - (Continued)

the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual per incident.

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

Unemployment Benefits:

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

During the year ended June 30, 2022, no claims for unemployment benefits were paid. At June 30, 2022, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

NOTE 16 - LITIGATION

At June 30, 2022, the School District was not involved in any litigation.

NOTE 17 - SUBSEQUENT EVENTS

There are no subsequent events through May 16, 2023, the date on which the financial statements were available to be issued.

NOTE 18 - IMPLEMENTATION OF NEW STANDARD AND RESTATEMENT

As of June 30, 2022, the School District implemented GASB Statement No. 87, Leases accounting standard.

The School District restated the net position of the government-wide governmental activities as indicated below to appropriately reflect the July 1, 2021, balances as follows:

	<u>Governmental Activities</u>
Net Position at June 30, 2021, as previously stated	\$7,527,721
Restatement-Implementation of GASB 87	<u>(13,148)</u>
Net Position at July 1, 2021, as restated	<u>\$7,514,573</u>

REQUIRED SUPPLEMENTARY INFORMATION

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND
YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$1,715,000	\$1,715,000	\$1,697,890	\$(17,110)
Prior years' ad valorem taxes	20,000	20,000	6,713	(13,287)
Tax deed revenue	25,000	25,000	--	(25,000)
Utility taxes	110,000	110,000	100,238	(9,762)
Penalties and interest on taxes	5,000	5,000	4,054	(946)
Earnings on investments and deposits	1,000	1,000	149	(851)
Cocurricular activities:				
Admissions	18,000	18,000	21,815	3,815
Other revenue from local sources:				
Charges for services	3,000	3,000	2,534	(466)
Other	9,300	9,300	10,873	1,573
Revenue from Intermediate Sources:				
County sources:				
County apportionment	12,000	12,000	13,617	1,617
Revenue in lieu of taxes	--	--	3,201	3,201
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	309,000	309,000	377,641	68,641
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received directly from federal government	--	--	11,089	11,089
Restricted grants-in-aid received from federal government through the state	<u>150,510</u>	<u>150,510</u>	<u>241,113</u>	<u>90,603</u>
TOTAL REVENUES	<u>2,377,810</u>	<u>2,377,810</u>	<u>2,490,927</u>	<u>113,117</u>
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	822,700	822,700	798,871	23,829
Middle/Junior high	83,000	83,000	131,791	(48,791)
High school	421,750	421,750	435,152	(13,402)
Special programs:				
Educationally deprived	119,200	119,200	106,833	12,367

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Support Services:				
Students:				
Guidance	11,500	11,500	10,797	703
Health	500	500	570	(70)
Instructional staff:				
Improvement of instruction	--	--	1,016	(1,016)
Educational media	52,900	52,900	26,500	26,400
General administration:				
Board of education	31,500	31,500	44,800	(13,300)
Executive administration	139,500	139,500	138,650	850
School administration:				
Office of the principal	21,600	21,600	23,493	(1,893)
Business:				
Fiscal services	132,000	132,000	109,725	22,275
Operation and maintenance of plant	338,460	338,460	367,981	(29,521)
Student transportation services	129,000	129,000	125,317	3,683
Cocurricular Activities:				
Male activities	24,200	24,200	31,060	(6,860)
Female activities	22,500	22,500	23,192	(692)
Transportation	17,500	17,500	15,045	2,455
Combined activities	<u>60,000</u>	<u>60,000</u>	<u>68,539</u>	<u>(8,539)</u>
TOTAL EXPENDITURES	<u>2,427,810</u>	<u>2,427,810</u>	<u>2,459,332</u>	<u>(31,522)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(50,000)</u>	<u>(50,000)</u>	<u>31,595</u>	<u>81,595</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>--</u>	<u>--</u>	<u>100,000</u>	<u>100,000</u>
TOTAL OTHER FINANCING SOURCES	<u>--</u>	<u>--</u>	<u>100,000</u>	<u>100,000</u>
NET CHANGE IN FUND BALANCES	(50,000)	(50,000)	131,595	181,595
FUND BALANCE - BEGINNING	<u>328,579</u>	<u>328,579</u>	<u>328,579</u>	<u>--</u>
FUND BALANCE - ENDING	<u>\$ 278,579</u>	<u>\$ 278,579</u>	<u>\$ 460,174</u>	<u>\$181,595</u>

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - CAPITAL OUTLAY FUND
YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$1,110,000	\$1,110,000	\$1,113,337	\$ 3,337
Prior years' ad valorem taxes	--	--	5,323	5,323
Penalties and interest on taxes	--	--	2,478	2,478
Other revenue from local sources:				
Contributions and donations	--	--	1,514	1,514
Other	5,000	5,000	--	(5,000)
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	<u>70,998</u>	<u>150,998</u>	<u>78,643</u>	<u>(72,355)</u>
TOTAL REVENUES	<u>1,185,998</u>	<u>1,265,998</u>	<u>1,201,295</u>	<u>(64,703)</u>
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	30,823	30,823	24,419	6,404
Middle/Junior High	--	--	17,940	(17,940)
High school	40,000	40,000	--	40,000
Special programs:				
Programs for special education	--	--	1,756	(1,756)
Support Services:				
Instructional staff:				
Improvement of instruction	--	--	20,119	(20,119)
Educational media	67,175	147,175	45,277	101,898
Business:				
Fiscal services	--	--	4,652	(4,652)
Facilities acquisition and construction	175,000	195,000	180,058	14,942
Operation and maintenance of plant	74,000	74,000	27,474	46,526
Student transportation services	27,810	27,810	55,749	(27,939)
Debt Services	546,500	546,500	598,410	(51,910)
Cocurricular Activities:				
Male activities	1,000	1,000	--	1,000
Female activities	1,000	1,000	--	1,000
Combined activities	<u>3,500</u>	<u>3,500</u>	<u>5,500</u>	<u>(2,000)</u>
TOTAL EXPENDITURES	<u>966,808</u>	<u>1,066,808</u>	<u>981,354</u>	<u>85,454</u>

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
EXCESS OF REVENUE OVER EXPENDITURES	<u>219,190</u>	<u>199,190</u>	<u>219,941</u>	<u>20,751</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	--	(50,000)	(100,000)	(50,000)
Proceeds of general long-term liabilities	<u>--</u>	<u>--</u>	<u>53,749</u>	<u>53,749</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>--</u>	<u>(50,000)</u>	<u>(46,251)</u>	<u>3,749</u>
NET CHANGE IN FUND BALANCES	219,190	149,190	173,690	24,500
FUND BALANCE - BEGINNING	<u>1,258,632</u>	<u>1,258,632</u>	<u>1,258,632</u>	<u>--</u>
FUND BALANCE - ENDING	<u>\$1,477,822</u>	<u>\$1,407,822</u>	<u>\$1,432,322</u>	<u>\$ 24,500</u>

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS -
SPECIAL EDUCATION FUND
YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$370,500	\$370,500	\$374,428	\$ 3,928
Prior years' ad valorem taxes	5,500	5,500	1,773	(3,727)
Penalties and interest on taxes	1,000	1,000	833	(167)
Other revenue from local sources:				
Charges for services	--	--	339	339
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	--	--	10,525	10,525
TOTAL REVENUES	<u>377,000</u>	<u>377,000</u>	<u>387,898</u>	<u>10,898</u>
EXPENDITURES:				
Instruction:				
Special programs:				
Programs for special education	429,000	429,000	390,081	38,919
Support Services:				
Students:				
Psychological	7,000	7,000	5,456	1,544
Speech pathology	15,000	15,000	12,811	2,189
Student therapy services	1,000	1,000	1,465	(465)
TOTAL EXPENDITURES	<u>452,000</u>	<u>452,000</u>	<u>409,813</u>	<u>42,187</u>
NET CHANGE IN FUND BALANCES	(75,000)	(75,000)	(21,915)	53,085
FUND BALANCE - BEGINNING	<u>394,945</u>	<u>394,945</u>	<u>394,945</u>	--
FUND BALANCE - ENDING	<u>\$319,945</u>	<u>\$319,945</u>	<u>\$373,030</u>	<u>\$53,085</u>

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH
MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET
JUNE 30, 2022

NOTE 1 - Budgets and Budgetary Accounting

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

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 adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
11. Budgets for the General Fund and each major Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 2 - USGAAP/Budgetary Accounting Basis Differences

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

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY (ASSET)
SOUTH DAKOTA RETIREMENT SYSTEM

	Last 8 Fiscal Years*							
	(Dollar amounts in thousands)							
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0781210%	0.0788264%	0.0754902%	0.0740302%	0.0751101%	0.0735028%	0.0703888%	0.0719220%
District's proportionate share of net pension liability (asset)	\$(598)	\$(3)	\$(8)	\$(2)	\$(7)	\$248	\$(299)	\$(518)
District's covered payroll	\$1,776	\$1,731	\$1,612	\$1,539	\$1,527	\$1,398	\$1,285	\$1,258
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	33.67%	0.17%	0.50%	0.13%	0.46%	17.74%	23.27%	41.18%
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of previous fiscal year. Until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT PENSION CONTRIBUTIONS
SOUTH DAKOTA RETIREMENT SYSTEM

	Last 10 Fiscal Years (Dollar amounts in thousands)									
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 106	\$ 106	\$ 104	\$ 97	\$ 92	\$ 92	\$ 84	\$ 77	\$ 75	\$ 72
Contributions in relation to the contractually required contribution	\$ 106	\$ 106	\$ 104	\$ 97	\$ 92	\$ 92	\$ 84	\$ 77	\$ 75	\$ 72
District's covered payroll	\$1,762	\$1,776	\$1,731	\$1,612	\$1,539	\$1,527	\$1,398	\$1,285	\$1,258	\$1,197
Contributions as a percentage of covered payroll	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

HITCHCOCK-TULARE SCHOOL DISTRICT NO 56-6
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
AND SCHEDULE OF PENSION CONTRIBUTIONS
JUNE 30, 2022

Changes from Prior Valuation:

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

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

Benefit Provision Changes:

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

Actuarial Assumption Changes:

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

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

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

Actuarial Method Changes:

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