

Huron School District No. 2-2

Independent Auditor's Report and Financial Statements

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

Huron School District No. 2-2

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**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

School Board
Huron School District No. 2-2
Huron, 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 Huron School District No. 2-2, South Dakota, as of and for the year then ended June 30, 2021, 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 December 28, 2021.

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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in dark ink, appearing to read "CLO Prof LLC". The signature is written in a cursive, stylized font.

Huron, South Dakota
December 28, 2021



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

School Board
Huron School District No. 2-2
Huron, South Dakota

Report on Compliance for Each Major Federal Program

We have audited Huron School District No. 2-2’s, Beadle County, South Dakota compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Huron School District’s major federal programs for the year ended June 30, 2021. Huron School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the School District’s major federal programs based on our audit of the types of compliance requirements referred to above.

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

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

Opinion on Each Major Federal Program

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.



Huron, South Dakota
December 28, 2021

Huron School District No. 2-2
Schedule of Prior and Current Audit Findings and Questioned Costs
Year Ended June 30, 2021

Schedule of Prior Audit Findings

The prior audit report contained no written audit comments.

Schedule of Current Audit Findings

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified: ☐ yes ☒ no

Significant deficiencies identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiencies identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.156(a). ☐ yes ☒ no

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund
84.425D	Elementary and Secondary School Emergency Relief Fund

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

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Section II - Financial Statement Findings

There are no findings which are required to be reported in accordance with Government Auditing Standards.

Section III - Federal Award Findings and Questioned Costs

There are no finding or questioned costs relating to federal award programs which are required to be reported in accordance with 2 CFR 200.156(a).



Independent Auditor's Report

School Board
Huron School District No. 2-2
Huron, South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Huron School District No. 2-2, Huron, South Dakota, as of June 30, 2021 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Huron School District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Emphasis of Matter

As discussed in Note 16 to the financial statements, in 2021, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, which has resulted in a restatement of the net position as of July 1, 2020. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, the Schedule of Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the School District's Contributions listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 28, 2021 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions or laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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.

A handwritten signature in dark ink, appearing to read "CLO Ref LLC". The letters are cursive and somewhat stylized.

Huron, South Dakota
December 28, 2021

Huron School District No. 2-2
Management's Discussion and Analysis (MD&A)
June 30, 2021

This section of Huron School District No. 2-2's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2021. Please read it in conjunction with the School's financial statements, which follow this section.

Financial Highlights

- During the year, the School's revenues of \$38,253,434 generated from taxes and other revenues of the governmental and business-type programs were \$3,401,993 more than the \$34,851,441 in governmental and business-type program expenditures. The total cost of the School's programs increased 2.21% over the prior year. Approximately \$1.3 million of the revenues over expenditures is due to the increase in revenue from federal sources.
- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.
 - The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the school operates like businesses. The proprietary funds operated by the school are the Food Service Operation (Fund 51), and Concessions and Drivers Education (Fund 53).
 - Fiduciary fund statements provide information about the financial relationships in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure A-1 summarizes the major features of the School's financial statements, including the portion of the School government covered and the types of information contained. The reminder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Huron School District No. 2-2
Management's Discussion and Analysis (MD&A)
June 30, 2021

Figure A-1

Major Features of Huron School's Government-Wide and Fund Financial Statements

	Government Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School government (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs	Activities the School operates similar to private businesses, the food service operation, preschool, PASS, and the drivers' education program	Instances in which the School is the trustee or agent for someone else's resources.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid.

Huron School District No. 2-2
Management's Discussion and Analysis (MD&A)
June 30, 2021

Government-Wide Statements

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School's net position and how they have changed. Net position is one way to measure the School's financial health or position.

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

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

- **Governmental Activities** – This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, and federal grants finance most of these activities.
- **Business-type Activities** – The school charges a fee to students to help cover the costs of providing breakfast and hot lunch services to all students. The Food Service Fund and the Enterprise Funds (Drivers Ed, and Concessions) are the only business-type activities of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds – not the School as a whole. Funds are accounting devices that the School uses to keep track of specific sources of funding and spending for particular purposes.

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

The School has three kinds of funds:

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

Huron School District No. 2-2
Management's Discussion and Analysis (MD&A)
June 30, 2021

- **Proprietary Funds** – Services for which the School charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service, Drivers Education, and Concessions Enterprise funds are the only proprietary funds maintained by the School.
- **Fiduciary Funds** – The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School's fiduciary activities are reported in a separate statement of net position and a statement of changes in net position. We exclude these activities from the School's government-wide financial statements because the School cannot use these assets to finance its operations.

Financial Analysis of the School as a Whole

Net Position

The School's combined net position increased as follows:

Table A-1
Huron School District No. 2-2
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2020	2021	2020	2021	2020	2021	2020-2021
Current and Other Assets	\$ 26,227,501	\$ 34,871,470	\$ 594,590	\$ 883,139	\$ 26,822,091	\$ 35,754,609	33.30%
Capital Assets (Net of Depreciation)	36,707,031	38,581,347	257,272	216,475	36,964,303	38,797,822	4.96%
Total Assets	62,934,532	73,452,817	851,862	1,099,614	63,786,394	74,552,431	16.88%
Pension Related Deferred Outflows	3,979,502	5,214,395	--	--	3,979,502	5,214,395	31.03%
Total Deferred Outflows of Resources	3,979,502	5,214,395	--	--	3,979,502	5,214,395	31.03%
Long-Term Liabilities Outstanding	41,488,939	47,390,621	11,323	5,656	41,500,262	47,396,277	14.21%
Other Liabilities	4,459,765	3,214,142	17,360	33,986	4,477,125	3,248,128	-27.45%
Unearned Revenues	--	--	54,015	50,240	54,015	50,240	
Total Liabilities	45,948,704	50,604,763	82,698	89,882	46,031,402	50,694,645	10.13%
Taxes Levied for Future Period	5,369,560	5,484,567	--	--	5,369,560	5,484,567	2.14%
Pension Related Deferred Inflows	1,673,785	4,299,960	--	--	1,673,785	4,299,960	156.90%
Total Deferred Inflows of Resources	7,043,345	9,784,527	--	--	7,043,345	9,784,527	38.92%
Net Position							
Net Investment in Capital Assets	5,486,974	1,327,546	257,272	216,475	5,744,246	1,544,021	-73.12%
Restricted	6,258,090	12,923,650	--	--	6,258,090	12,923,650	106.51%
Unrestricted	2,176,921	4,026,726	511,892	793,257	2,688,813	4,819,983	79.26%
Total Net Position	13,921,985	18,277,922	769,164	1,009,732	14,691,149	19,287,654	31.29%
Beginning Net Position	17,165,375	13,921,985	949,455	769,164	18,114,830	14,691,149	-18.90%
Restatement	--	1,194,512	--	--	--	1,194,512	
Increase (Decrease) in Net Position	\$ (3,243,390)	\$ 3,161,425	\$ (180,291)	\$ 240,568	\$ (3,423,681)	\$ 3,401,993	-199.37%
Percentage of Increase (Decrease) in Net Position	-18.89%	22.71%	-18.99%	31.28%	-18.90%	23.16%	

The District's combined net position of approximately \$19.2 million is approximately \$4.6 million or 31% more than on June 30, 2021. Most of the increase is due to the increase in revenue from federal sources and operating grants and contributions.

Huron School District No. 2-2
Management's Discussion and Analysis (MD&A)
June 30, 2021

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

Changes in Net Position

The district's total revenues (excluding transfers) totaled \$38,253,434 (See Table A-4). This was approximately a 24.7% increase. Approximately 36% of the district's revenue comes from property and other taxes, with another 35% from state aid. (See Table A-2.)

Table A-2
Huron School District No. 2-2
Sources of Revenues
Fiscal Year 2020-2021

Taxes	\$ 13,856,048	36.22%
State Sources	13,464,497	35.20%
Operating And Capital Grants & Contributions	7,993,689	20.90%
Federal Sources	1,387,500	3.63%
Charges for Services	532,196	1.39%
Other Revenues	676,589	1.77%
Unrestricted Investment Earnings	<u>342,915</u>	<u>0.89%</u>
Total Revenue	<u>\$ 38,253,434</u>	<u>100.00%</u>

Total cost of all programs and services increased by approximately 2.21%. The district's expenses totaled \$34,851,441 (See Table A-4). The School's expenses cover a range of services, encompassing instruction, support services, interest on long term debt, co-curricular activities, food services, drivers' education and concessions. (See Table A-3.)

Table A-3
Huron School District No. 2-2
Statement of Expenditures
Fiscal Year 2020-2021

Instruction	\$ 18,420,239	52.85%
Support Services	11,405,655	32.73%
Food Service	1,771,016	5.08%
Interest - on Long-Term Debt	1,525,581	4.38%
Cocurricular Activities	1,085,233	3.11%
Nonprogrammed charges	271,195	0.78%
Community Services	258,107	0.74%
Concessions	109,845	0.32%
Drivers Education	<u>4,570</u>	<u>0.01%</u>
Total Expenditures	<u>\$ 34,851,441</u>	<u>100.00%</u>

Huron School District No. 2-2
Management's Discussion and Analysis (MD&A)
June 30, 2021

Governmental and Business-Type Activities

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

Table A-4
Huron School District 2-2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2020	2021	2020	2021	2020	2021	2020-2021
Revenues							
Program Revenues							
Charges for Services	\$ 181,546	\$ 204,461	\$ 512,601	\$ 327,735	\$ 694,147	\$ 532,196	-23.33%
Operating Grants and Contributions	4,692,224	6,205,278	1,078,214	1,788,411	5,770,438	7,993,689	38.53%
General Revenues							
Taxes	10,313,802	13,856,048	--	--	10,313,802	13,856,048	34.34%
Revenue State Sources	12,933,652	13,464,497	--	--	12,933,652	13,464,497	4.10%
Revenue Federal Sources	--	1,387,500	--	--	--	1,387,500	100.00%
Unrestricted Investment Earnings	386,321	338,518	10,804	4,397	397,125	342,915	-13.65%
Other General Revenues	564,650	676,589	--	--	564,650	676,589	19.82%
Total Revenues	<u>29,072,195</u>	<u>36,132,891</u>	<u>1,601,619</u>	<u>2,120,543</u>	<u>30,673,814</u>	<u>38,253,434</u>	24.71%
Expenses							
Instruction	17,800,743	18,420,239	--	--	17,800,743	18,420,239	3.48%
Support Services	11,755,242	11,405,655	--	--	11,755,242	11,405,655	-2.97%
Community Services	165,546	258,107	--	--	165,546	258,107	55.91%
Nonprogrammed Charges	170,309	271,195	--	--	170,309	271,195	59.24%
Interest on Long Term Debt	1,380,820	1,525,581	--	--	1,380,820	1,525,581	10.48%
Cocurricular Activities	1,031,348	1,085,233	--	--	1,031,348	1,085,233	5.22%
Food Service	--	--	1,683,383	1,771,016	1,683,383	1,771,016	5.21%
Other Enterprise Activity	--	--	110,104	114,415	110,104	114,415	3.92%
Total Expenses	<u>32,304,008</u>	<u>32,966,010</u>	<u>1,793,487</u>	<u>1,885,431</u>	<u>34,097,495</u>	<u>34,851,441</u>	2.21%
Excess (Deficiency) Before Transfers	(3,231,813)	3,166,881	(191,868)	235,112	(3,423,681)	3,401,993	-199.37%
Transfers	<u>(11,577)</u>	<u>(5,456)</u>	<u>11,577</u>	<u>5,456</u>	<u>--</u>	<u>--</u>	
Increase (Decrease) in Net Position	(3,243,390)	3,161,425	(180,291)	240,568	(3,423,681)	3,401,993	-199.37%
Beginning Net Position	17,165,375	13,921,985	949,455	769,164	18,114,830	14,691,149	-18.90%
Restatement - see note 16	--	1,194,512	--	--	--	1,194,512	
Beginning Net Position, as Restated	<u>17,165,375</u>	<u>15,116,497</u>	<u>949,455</u>	<u>769,164</u>	<u>18,114,830</u>	<u>15,885,661</u>	-12.31%
Ending Net Position	<u>\$ 13,921,985</u>	<u>\$ 18,277,922</u>	<u>\$ 769,164</u>	<u>\$ 1,009,732</u>	<u>\$ 14,691,149</u>	<u>\$ 19,287,654</u>	31.29%

Governmental Activities

Increase in the governmental expenses was 2%, mainly due to instruction.

Business-Type Activities

Net position of the School's business-type activities increased approximately by \$240 thousand.

Huron School District No. 2-2
Management's Discussion and Analysis (MD&A)
June 30, 2021

Financial Analysis of the School's Funds

Overall, the governmental funds have a 9.8 million dollar increase in fund balance over last year. The main cause was due to general long-term debt issued.

General Fund Budgetary Highlights

Over the course of the year, the School Board revised the School budget several times. These amendments fall into three categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

There were budget changes for the year due to needing additional funding for general operating expenses in the General Fund.

Capital Asset Administration

By the end of FY 2021, the School had invested \$38,797,822 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5.)

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

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2020	2021	2020	2021	2020-2021	2020-2021
Land	\$ 1,107,646	\$ 1,107,646	\$ --	\$ --	\$ --	0.00%
Construction in progress	4,647,162	132,627	--	--	(4,514,535)	100.00%
Buildings	29,512,250	34,823,150	--	--	5,310,900	18.00%
Machinery and equipment	2,634,485	2,517,924	257,272	216,475	(157,358)	-5.44%
Total Capital Assets (Net)	<u>\$ 37,901,543</u>	<u>\$ 38,581,347</u>	<u>\$ 257,272</u>	<u>\$ 216,475</u>	<u>\$ 639,007</u>	1.67%

This year's capital asset purchases of \$2,100,649 included completion of construction in progress for high school and arena improvements, busses, scrubbers, vehicles, copiers, and kitchen equipment. There is \$132,627 in construction in progress for the CTE addition.

Huron School District No. 2-2
Management's Discussion and Analysis (MD&A)
June 30, 2021

Long-Term Debt

At year-end, the School had \$47,396,277 in general long-term obligations. See individual balances as shown on Table A-6 below.

Table A-6
Huron School District - Outstanding Debt and Obligations

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2020	2021	2020	2021	2020-2021	2020-2021
General Obligation bonds	\$ 26,610,000	\$ 32,740,000	\$ --	\$ --	\$ 6,130,000	23.04%
Unamortized premium	1,906,435	1,806,313	--	--	(100,122)	-5.25%
Capital outlay certificates	11,600,000	11,660,000	--	--	60,000	0.52%
Unamortized premium	243,622	217,488	--	--	(26,134)	-10.73%
Other loans	995,640	819,700	--	--	(175,940)	-17.67%
Compensated Absences	133,242	147,120	11,323	5,656	8,211	5.68%
Total Outstanding Debt and Obligations	<u>\$ 41,488,939</u>	<u>\$ 47,390,621</u>	<u>\$ 11,323</u>	<u>\$ 5,656</u>	<u>\$ 5,896,015</u>	<u>14.21%</u>

The school issued \$9,260,000 of General Obligation Bonds (Crossover Advance Refunding) on December 21, 2017 and another \$6,705,000 of General Obligation Bonds (Crossover Advance Refunding) on November 9, 2020. These funds will sit in escrow until December 15, 2023 when they will be used to refund part of the \$20,195,000 General Obligation Bonds Series 2013.

Economic Factors and Next Year's Budgets And Rates

One of the primary sources of revenue to the School is based on a per student allocation received from the State of South Dakota.

The school's enrollment for the last 3 years was as follows:

Year	ADM	Percent (Decrease) in ADM
2021	2775	-1.14%
2020	2807	5.92%
2019	2650	2.00%

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Huron School District's Business Office, 150 5th Street Southwest, Huron, SD 57350.

Huron School District No. 2-2
Statement of Net Position – Government-Wide
For the Year Ended June 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 11,179,325	\$ 754,736	\$ 11,934,061
Taxes receivable	5,629,486	--	5,629,486
Inventories	--	70,034	70,034
Other assets	1,927,800	58,369	1,986,169
Restricted Assets:			
Cash and cash equivalents	16,102,399	--	16,102,399
Net pension asset	32,460	--	32,460
Capital assets:			
Land and Construction in Progress	1,240,273	--	1,240,273
Other capital assets, net of depreciation	37,341,074	216,475	37,557,549
Total Assets	<u>73,452,817</u>	<u>1,099,614</u>	<u>74,552,431</u>
Deferred outflows of Resources:			
Pension related deferred outflows	<u>5,214,395</u>	<u>--</u>	<u>5,214,395</u>
Total Deferred Outflows of Resources:	<u>5,214,395</u>	<u>--</u>	<u>5,214,395</u>
Liabilities:			
Accounts payable	1,114,813	17,725	1,132,538
Other current liabilities	2,099,329	16,261	2,115,590
Unearned revenue	--	50,240	50,240
Noncurrent liabilities:			
Due within one year	2,094,316	--	2,094,316
Due in more than one year	<u>45,296,305</u>	<u>5,656</u>	<u>45,301,961</u>
Total Liabilities	<u>50,604,763</u>	<u>89,882</u>	<u>50,694,645</u>
Deferred Inflows of Resources:			
Property taxes levied for future period	5,484,567	--	5,484,567
Pension related deferred inflows	<u>4,299,960</u>	<u>--</u>	<u>4,299,960</u>
Total Deferred Inflows of Resources:	<u>9,784,527</u>	<u>--</u>	<u>9,784,527</u>
Net Position:			
Net investment in capital assets	1,327,546	216,475	1,544,021
Restricted for:			
Capital outlay	4,136,101	--	4,136,101
Special education	993,309	--	993,309
Debt services	6,842,399	--	6,842,399
Auditorium	4,946	--	4,946
SDRS pension purposes	946,895	--	946,895
Unrestricted	<u>4,026,726</u>	<u>793,257</u>	<u>4,819,983</u>
Total Net Position	<u>\$ 18,277,922</u>	<u>\$ 1,009,732</u>	<u>\$ 19,287,654</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Huron School District No. 2-2
Statement of Activities – Government-Wide
For the Year Ended June 30, 2021

					Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
		Program Revenues					
		Charges For	Operating	Capital			
Functions / Programs	Expenses	Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
Instruction	\$ 18,420,239	\$ 48,162	\$ 6,205,278	\$ --	\$ (12,166,799)	\$ --	\$ (12,166,799)
Support services	11,405,655	65,646	--	--	(11,340,009)	--	(11,340,009)
Community services	258,107	--	--	--	(258,107)	--	(258,107)
Nonprogrammed charges	271,195	--	--	--	(271,195)	--	(271,195)
Interest - on long-term debt*	1,525,581	--	--	--	(1,525,581)	--	(1,525,581)
Cocurricular activities	1,085,233	90,653	--	--	(994,580)	--	(994,580)
Total Governmental Activities	32,966,010	204,461	6,205,278	--	(26,556,271)	--	(26,556,271)
Business-Type Activities:							
Food service	1,771,016	178,835	1,788,411	--	--	196,230	196,230
Concessions	109,845	110,150	--	--	--	305	305
Driver's education	4,570	38,750	--	--	--	34,180	34,180
Total Business-Type Activities	1,885,431	327,735	1,788,411	--	--	230,715	230,715
Total Primary Government	\$ 34,851,441	\$ 532,196	\$ 7,993,689	\$ --	(26,556,271)	230,715	(26,325,556)
General Revenues:							
Taxes:							
					13,490,474	--	13,490,474
					365,574	--	365,574
Revenue from State Sources:							
					13,464,497	--	13,464,497
Revenue from Federal Sources							
					338,518	4,397	342,915
					676,589	--	676,589
					(5,456)	5,456	--
Total General Revenues and Transfers					29,717,696	9,853	29,727,549
Change in Net Position					3,161,425	240,568	3,401,993
Net Position - Beginning of Year					13,921,985	769,164	14,691,149
Restatement - See note 16					1,194,512	--	1,194,512
Net Position - Beginning of Year, as Restated					15,116,497	769,164	15,885,661
Net Position -End of Year					\$ 18,277,922	\$ 1,009,732	\$ 19,287,654

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

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Huron School District No. 2-2
Balance Sheet – Governmental Funds
June 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 5,976,196	\$ 4,040,963	\$ 1,157,220	\$ --	\$ 4,946	\$ 11,179,325
Taxes receivable--current	2,108,969	1,708,168	1,022,187	645,243	--	5,484,567
Taxes receivable--delinquent	65,730	39,033	23,578	16,578	--	144,919
Accounts receivable	260,599	3,814	--	--	--	264,413
Due from other government	938,995	538,256	186,136	--	--	1,663,387
Restricted cash	--	--	--	16,102,399	--	16,102,399
Total Assets	<u>\$ 9,350,489</u>	<u>\$ 6,330,234</u>	<u>\$ 2,389,121</u>	<u>\$ 16,764,220</u>	<u>\$ 4,946</u>	<u>\$ 34,839,010</u>
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ 650,807	\$ 446,932	\$ 17,074	\$ --	\$ --	\$ 1,114,813
Contracts payable	1,359,943	--	257,467	--	--	1,617,410
Payroll deductions and withholding and employer matching payable	406,413	--	75,506	--	--	481,919
Total Liabilities	<u>2,417,163</u>	<u>446,932</u>	<u>350,047</u>	<u>--</u>	<u>--</u>	<u>3,214,142</u>
Deferred Inflows of Resources:						
Unavailable Revenue-Property Taxes	65,730	39,033	23,578	16,578	--	144,919
Property taxes levied for future period	2,108,969	1,708,168	1,022,187	645,243	--	5,484,567
Total Deferred Inflows of Resources	<u>2,174,699</u>	<u>1,747,201</u>	<u>1,045,765</u>	<u>661,821</u>	<u>--</u>	<u>5,629,486</u>
Fund Balances:						
Restricted						
Capital outlay	--	4,136,101	--	--	--	4,136,101
Special education	--	--	993,309	--	--	993,309
Pension	--	--	--	--	--	--
Debt service	--	--	--	16,102,399	--	16,102,399
Auditorium	--	--	--	--	4,946	4,946
Unassigned	4,758,627	--	--	--	--	4,758,627
Total Fund Balances	<u>4,758,627</u>	<u>4,136,101</u>	<u>993,309</u>	<u>16,102,399</u>	<u>4,946</u>	<u>25,995,382</u>
Total Liabilities and Fund Balances	<u>\$ 9,350,489</u>	<u>\$ 6,330,234</u>	<u>\$ 2,389,121</u>	<u>\$ 16,764,220</u>	<u>\$ 4,946</u>	<u>\$ 34,839,010</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Huron School District No. 2-2
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position – Governmental Funds
June 30, 2021

Total Fund Balances - Governmental Funds	\$ 25,995,382
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.	32,460
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	38,581,347
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	5,214,395
Delinquent taxes receivable not available to pay current year expenditures are deferred in the funds	144,919
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	(4,299,960)
Long-term liabilities, including bonds payable, other post employment benefits, and accrued vacation are not due and payable in the current period and therefore are not reported in the funds.	<u>(47,390,621)</u>
Net Position-Governmental Funds	<u><u>\$ 18,277,922</u></u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Huron School District No. 2-2
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Revenue from Local Sources:						
Taxes:						
Ad valorem taxes	\$ 5,244,182	\$ 3,947,474	\$ 2,514,351	\$ 1,634,800	\$ --	\$ 13,340,807
Prior years' ad valorem taxes	53,569	25,428	15,142	10,903	--	105,042
Tax deed revenue	103	--	--	--	--	103
Utility taxes	365,574	--	--	--	--	365,574
Penalties and interest on taxes	16,196	9,326	5,855	4,099	--	35,476
Revenue from Local Governmental Units Other Than LEAs:						
Revenue in lieu of taxes	7,268	--	--	--	--	7,268
Tuition and Fees:						
Regular day school tuition	48,162	--	--	--	--	48,162
Earnings on Investments and Deposits	79,774	47,462	14,272	196,937	73	338,518
Cocurricular Activities:						
Admissions	58,652	--	--	--	2,154	60,806
Other student activity income	23,854	--	--	--	--	23,854
Other Revenue from Local Sources:						
Rentals	27,881	--	--	--	--	27,881
Contributions and donations	27,753	--	--	--	--	27,753
Services Provided Other LEAs	65,646	--	--	--	--	65,646
Charges for services	82,410	--	89,091	--	--	171,501
Other	217,620	--	31,263	--	--	248,883
Revenue from Intermediate Sources:						
County Sources:						
County apportionment	177,292	--	--	--	--	177,292
Revenue in lieu of taxes	3,555	--	--	--	--	3,555
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted grants-in-aid	13,464,497	--	--	--	--	13,464,497
Restricted grants-in-aid	2,410	--	2,161,134	--	--	2,163,544
Tuition:						
Regular	108,465	--	--	--	--	108,465
Revenue from Federal Sources:						
Grants-in-Aid:						
Unrestricted grants-in-aid received from federal government through the state	1,387,500	--	--	--	--	1,387,500
Restricted grants-in-aid received from federal government through the state	2,586,755	583,370	763,144	--	--	3,933,269
Other Federal Revenue	12,456	--	--	--	--	12,456
Total Revenues:	<u>24,061,574</u>	<u>4,613,060</u>	<u>5,594,252</u>	<u>1,846,739</u>	<u>2,227</u>	<u>36,117,852</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Huron School District No. 2-2
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2021 (Continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
Expenditures:						
Instruction:						
Regular Programs:						
Elementary	\$ 5,070,177	\$ 173,104	\$ --	\$ --	\$ --	\$ 5,243,281
Middle/junior high	2,389,769	101,136	--	--	--	2,490,905
High school	2,924,498	119,438	--	--	--	3,043,936
Preschool services	3,615	--	--	--	--	3,615
Special Programs:						
Programs for special education	--	125	3,527,449	--	--	3,527,574
Culturally different	1,031,837	--	--	--	--	1,031,837
Educationally deprived	1,041,662	--	--	--	--	1,041,662
Support Services:						
Students:						
Attendance and social work	145,863	--	20,937	--	--	166,800
Guidance	454,964	--	--	--	--	454,964
Health	111,662	--	111,626	--	--	223,288
Psychological	--	--	247,354	--	--	247,354
Speech pathology	--	--	537,502	--	--	537,502
Student therapy services	--	--	172,260	--	--	172,260
Instructional Staff:				--		
Improvement of instruction	496,427	--	4,721	--	--	501,148
Educational media	822,475	79,767	--	--	--	902,242
General Administration:						
Board of education	271,034	--	--	--	--	271,034
Executive administration	311,122	--	--	--	--	311,122
School Administration:						
Office of the principal	901,560	--	--	--	--	901,560
Other	360,058	890	--	--	--	360,948
Business:						
Fiscal services	426,313	--	--	--	--	426,313
Facilities acquisition and construction	--	39,681	--	--	4,943	44,624
Operation and maintenance of plant	3,270,536	636,029	--	--	--	3,906,565
Student transportation	809,173	70,620	--	--	--	879,793
Food services	98,866	12,497	--	--	--	111,363
Internal services	--	125	--	--	--	125
Central:						
Staff	205	--	--	--	--	205

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Huron School District No. 2-2
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2021 (Continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
Expenditures:						
Special Education:						
Administrative costs	\$ --	\$ --	\$ 180,852	\$ --	\$ --	\$ 180,852
Transportation costs	--	--	174,952	--	--	174,952
Community Services:						
Recreation	20,013	--	--	--	--	20,013
Custody and care of children	174,029	--	--	--	--	174,029
Nonpublic school	64,065	--	--	--	--	64,065
Nonprogrammed Charges:						
Payments to State - Unemployment	8,418	--	--	--	--	8,418
Early Retirement Payments	262,777	--	--	--	--	262,777
Debt Services	--	2,829,428	--	1,848,349	--	4,677,777
Cocurricular Activities:						
Male activities	370,720	--	--	--	--	370,720
Female activities	361,050	--	--	--	--	361,050
Combined activities	283,010	702	--	--	--	283,712
Capital Outlay	49,531	2,034,219	--	--	--	2,083,750
Total Expenditures	<u>22,535,429</u>	<u>6,097,761</u>	<u>4,977,653</u>	<u>1,848,349</u>	<u>4,943</u>	<u>35,464,135</u>
Excess of Revenue Over (Under) Expenditures	<u>1,526,145</u>	<u>(1,484,701)</u>	<u>616,599</u>	<u>(1,610)</u>	<u>(2,716)</u>	<u>653,717</u>
Other Financing Sources (Uses):						
Transfers in	66,086	--	--	--	--	66,086
Transfers out	--	(47,462)	(14,272)	(4,279)	(73)	(66,086)
General long-term debt issued	--	2,335,000	--	6,705,000	--	9,040,000
Sale of surplus property	71,766	--	--	--	--	71,766
Compensation for loss of capital asset	44,700	777	--	--	--	45,477
Total Other Financing Sources (Uses)	<u>182,552</u>	<u>2,288,315</u>	<u>(14,272)</u>	<u>6,700,721</u>	<u>(73)</u>	<u>9,157,243</u>
Net Change in Fund Balances	1,708,697	803,614	602,327	6,699,111	(2,789)	9,810,960
Fund Balance - Beginning of Year	<u>3,049,930</u>	<u>3,332,487</u>	<u>390,982</u>	<u>9,403,288</u>	<u>7,735</u>	<u>16,184,422</u>
Fund Balance - End of Year	<u>\$ 4,758,627</u>	<u>\$ 4,136,101</u>	<u>\$ 993,309</u>	<u>\$ 16,102,399</u>	<u>\$ 4,946</u>	<u>\$ 25,995,382</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Huron School District No. 2-2

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds For the Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$ 9,810,960
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.	2,083,750
The receipt of donated capital assets is not reported on the fund statements but is reported as a program revenue on the government wide statements.	5,993
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.	(1,395,024)
In the statement of activities gain and losses of \$102,328 on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds of \$117,243 from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized (+gains -losses -proceeds =amount).	(14,915)
Payment of the 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.	3,152,196
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.	(9,040,000)
In both the government-wide and the 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".	9,046
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.	(13,878)
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	(1,436,703)
Change in Net Position of Governmental Activities	<u>\$ 3,161,425</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Huron School District No. 2-2
Statement of Net Position – Proprietary Fund
June 30, 2021

	Enterprise Funds		
	Food Service Fund	Other Enterprise Funds	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 552,084	\$ 202,652	\$ 754,736
Accounts receivable	11,134	--	11,134
Due from other government	47,235	--	47,235
Inventory of supplies	13,000	1,083	14,083
Inventory of stores purchased for resale	47,358	4,577	51,935
Inventory of donated food	4,016	--	4,016
Total Current Assets	<u>674,827</u>	<u>208,312</u>	<u>883,139</u>
Capital Assets:			
Machinery and equipment--local funds	621,528	52,263	673,791
Machinery and equipment--federal assistance	39,142	--	39,142
Accumulated depreciation	(462,285)	(34,173)	(496,458)
Capital Assets - Net	<u>198,385</u>	<u>18,090</u>	<u>216,475</u>
Total Assets	<u>\$ 873,212</u>	<u>\$ 226,402</u>	<u>\$ 1,099,614</u>
Liabilities and Net Position:			
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 15,860	\$ 1,865	\$ 17,725
Contract payable	13,588	691	14,279
Payroll deductions and withholdings	1,891	91	1,982
Unearned revenue	50,240	--	50,240
Total Current Liabilities	<u>81,579</u>	<u>2,647</u>	<u>84,226</u>
Noncurrent Liabilities:			
Accrued leave payable	5,656	--	5,656
Total Noncurrent Liabilities	<u>5,656</u>	<u>--</u>	<u>5,656</u>
Total Liabilities	<u>87,235</u>	<u>2,647</u>	<u>89,882</u>
Net Position:			
Net investment in capital assets	198,385	18,090	216,475
Unrestricted net position	587,592	205,665	793,257
Total Net Position	<u>\$ 785,977</u>	<u>\$ 223,755</u>	<u>\$ 1,009,732</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Huron School District No. 2-2

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund For the Year Ended June 30, 2021

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Total
Operating Revenues:			
Sales:			
To students	\$ 80,547	\$ 107,688	\$ 188,235
To adults	9,056	--	9,056
A la carte	67,612	--	67,612
Other	21,620	41,212	62,832
Total Operating Revenue	<u>178,835</u>	<u>148,900</u>	<u>327,735</u>
Operating Expenses:			
Salaries	716,651	58,486	775,137
Employee benefits	223,010	6,479	229,489
Purchased services	28,837	1,862	30,699
Supplies	53,434	6,645	60,079
Cost of sales - purchased food	574,412	37,946	612,358
Cost of sales - donated food	127,137	--	127,137
Depreciation - local funds	45,854	2,997	48,851
Total Operating Expenses	<u>1,769,335</u>	<u>114,415</u>	<u>1,883,750</u>
Operating Income (Loss)	<u>(1,590,500)</u>	<u>34,485</u>	<u>(1,556,015)</u>
Nonoperating Revenues:			
Local Sources:			
Investment earnings	3,014	1,383	4,397
Other local revenue	15	--	15
State Sources:			
Cash reimbursements	4,949	--	4,949
Federal Sources:			
Cash reimbursements	1,668,085	--	1,668,085
Donated food	115,377	--	115,377
Total Nonoperating Revenue	<u>1,791,440</u>	<u>1,383</u>	<u>1,792,823</u>
Nonoperating Expenses:			
Loss on disposal of capital assets	1,696	--	1,696
Total Nonoperating Expense	<u>1,696</u>	<u>--</u>	<u>1,696</u>
Income Before Contributions and Transfers	199,244	35,868	235,112
Capital Contributions	<u>5,456</u>	<u>--</u>	<u>5,456</u>
Change in Net Position	204,700	35,868	240,568
Net Position - Beginning of Year	<u>581,277</u>	<u>187,887</u>	<u>769,164</u>
Net Position - End of Year	<u>\$ 785,977</u>	<u>\$ 223,755</u>	<u>\$ 1,009,732</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Huron School District No. 2-2
Statement of Cash Flows – Proprietary Fund
For the Year Ended June 30, 2021

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Cash Flows from Operating Activities:			
Cash receipts from customers	\$ 182,771	\$ 149,045	\$ 331,816
Cash payments to suppliers	(663,757)	(44,297)	(708,054)
Cash payments to employees	(935,598)	(64,183)	(999,781)
Net Cash Provided (Used) by Operating Activities:	<u>(1,416,584)</u>	<u>40,565</u>	<u>(1,376,019)</u>
Cash Flows from Non-Capital Financing Activities:			
Cash reimbursements - state	4,949	--	4,949
Cash reimbursements - federal	1,662,466	--	1,662,466
Net Cash Provided by Non-Capital Financing Activities	<u>1,667,415</u>	<u>--</u>	<u>1,667,415</u>
Cash Flows from Capital Financing Activities:			
Purchase of capital assets	(5,450)	--	(5,450)
Loss on disposal of assets	1,171	--	1,171
Net Cash (Used) By Capital Financing Activities:	<u>(4,279)</u>	<u>--</u>	<u>(4,279)</u>
Cash Flows from Investing Activities:			
Interest earnings	3,014	1,383	4,397
Net Cash Flows from Investing Activities:	<u>3,014</u>	<u>1,383</u>	<u>4,397</u>
Net Increase in Cash and Cash Equivalents	249,566	41,948	291,514
Cash and Cash Equivalents, Beginning of Year	<u>302,518</u>	<u>160,704</u>	<u>463,222</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 552,084</u></u>	<u><u>\$ 202,652</u></u>	<u><u>\$ 754,736</u></u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Huron School District No. 2-2
Statement of Cash Flows – Proprietary Fund
For the Year Ended June 30, 2021 (Continued)

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (1,590,500)	\$ 34,485	\$ (1,556,015)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	45,854	2,997	48,851
Noncash cost of sales - commodities	115,377	--	115,377
Change in Assets and Liabilities:			
Accounts receivable	7,711	145	7,856
Inventories	437	291	728
Accounts and other payables	4,249	1,865	6,114
Accrued wages payable	4,063	782	4,845
Unearned Revenue	(3,775)	--	(3,775)
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,416,584)</u>	<u>\$ 40,565</u>	<u>\$ (1,376,019)</u>
Noncash Investing, Capital, and Financing Activities:			
Value of commodities received	<u>\$ 127,137</u>	<u>\$ --</u>	<u>\$ 127,137</u>
Capital assets purchased by the capital outlay fund	<u>\$ 5,456</u>	<u>\$ --</u>	<u>\$ 5,456</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Huron School District No. 2-2
Statement of Net Position – Fiduciary Funds
June 30, 2021

	Private Purpose Trust Fund	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 285,884	\$ 277,835
Total Assets	<u>285,884</u>	<u>277,835</u>
Net Position		
Restricted for:		
Scholarships	285,884	--
Individuals, organizations, and other governments	<u>--</u>	<u>277,835</u>
Total Liabilities and Net Position	<u>\$ 285,884</u>	<u>\$ 277,835</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Huron School District No. 2-2
Statement of Changes in Net Position – Fiduciary Funds
For the Year Ended June 30, 2021

	Private Purpose Trust Fund	Custodial Funds
Additions:		
Contributions and donations	\$ 41,545	\$ --
Other additions	3,565	--
Collections for student activities	--	191,771
	<hr/>	<hr/>
Total Additions	45,110	191,771
	<hr/>	<hr/>
Deductions:		
Trust deductions for scholarships	16,911	--
Payments for student activities	--	194,394
	<hr/>	<hr/>
Total Deductions	16,911	194,394
	<hr/>	<hr/>
Change in Net Position	28,199	(2,623)
Net Position - Beginning of Year	257,685	--
Restatement - Implementation of GASB 84 (See note 16)	--	280,458
	<hr/>	<hr/>
Net Position - Beginning of Year, as Restated	257,685	280,458
	<hr/>	<hr/>
Net Position - End of Year	<u>\$ 285,884</u>	<u>\$ 277,835</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Huron School District No. 2-2
Notes to the Financial Statements
June 30, 2021

1. Summary of Significant Accounting Policies:

a. Financial Reporting Entity:

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

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has no component units.

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

b. Basis of Presentation:

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between the governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange 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 is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the 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.

Huron School District No. 2-2
Notes to the Financial Statements
June 30, 2021

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

The fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

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

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

Governmental Funds:

General Fund – A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding the capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

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

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.

Auditorium Building Fund – A fund established by SDCL 6-4-1 for the purpose of erecting or remodeling an auditorium, coliseum, public gymnasium, or public community house and for the acquisition of sites and equipment, therefore. This is not a major fund.

Huron School District No. 2-2
Notes to the Financial Statements
June 30, 2021

1. Summary of Significant Accounting Policies: (Continued)

Debt Service Fund Types – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Bond Redemption Fund – A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. This fund is the only debt service fund maintained by the School District. This is a major fund.

Proprietary Funds:

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

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

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.

The Other Enterprise Fund - An enterprise fund maintained by the School District for concessions and driver’s education. It is not a major fund.

Fiduciary Funds:

Fiduciary Funds consist of the following sub-categories and are never considered to be major funds:

Private-Purpose Trust Fund Types – private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other organizations. The School District maintains the following private-purpose trust funds: Harrigle, Kittinger, Peppers and Huron Community Scholarship Trusts and their purpose is scholarships.

Huron School District No. 2-2
Notes to the Financial Statements
June 30, 2021

1. Summary of Significant Accounting Policies: (Continued)

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 to hold assets as an agent in a trustee capacity for various classes, clubs, and so on.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

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

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

Basis of Accounting:

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

Fund Financial Statements: All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Huron School District No. 2-2, the length of that cycle is sixty days.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. 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.

Huron School District No. 2-2
Notes to the Financial Statements
June 30, 2021

1. Summary of Significant Accounting Policies: (Continued)

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

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

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances, if any.

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables are reported as Nonspendable Fund balance to the extent that the proceeds from the collection of those receivables are not Restricted, Committed, or Assigned, and are reported in the appropriate fund balance category. Current portions of interfund receivables are considered "available spendable resources" and are reported in the appropriate fund balance category.

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.

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 the estimated fair 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.

Huron School District No. 2-2
Notes to the Financial Statements
June 30, 2021

1. Summary of Significant Accounting Policies: (Continued)

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

The total June 30, 2021 balance of capital assets for governmental activities includes approximately thirty percent for which the costs were determined by estimates of the original costs. The total June 30, 2021 balance of capital assets for business-type activities are all valued at original cost. These estimated original costs were established by appraisals or deflated current replacement cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. 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	\$1,000	--	--
Land improvements	\$1,000	straight-line	20 years
Buildings	\$50,000	straight-line	50 years
Machinery and equipment	\$1,000	straight-line	4-20 years

Land, an inexhaustible capital asset, is not depreciated.

Fund Financial Statements:

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

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 consist primarily of compensated absences, capital outlay certificates payable and general obligation bonds payable.

Huron School District No. 2-2
Notes to the Financial Statements
June 30, 2021

1. Summary of Significant Accounting Policies: (Continued)

In the fund financial statements, debt proceeds are reported as revenues (other financing sources) and payment 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 it is in the government-wide statements.

g. 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.

h. 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.

i. Cash and Cash Equivalents:

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

Huron School District No. 2-2
Notes to the Financial Statements
June 30, 2021

1. Summary of Significant Accounting Policies: (Continued)

j. 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 may distinguish between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as net position restricted for scholarships and for individuals, organizations, and other governments.

k. 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.

l. Fund Balance Classification Policies and Procedures:

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

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

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

Huron School District No. 2-2
Notes to the Financial Statements
June 30, 2021

1. Summary of Significant Accounting Policies: (Continued)

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

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by School Board.

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

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

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund	Taxes
Special Education Fund	Taxes

m. Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pension, 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.

n. Emerging Accounting Standards:

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

Huron School District No. 2-2
Notes to the Financial Statements
June 30, 2021

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

The School District follows the practice of aggregating the cash assets of various 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 funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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

Credit Risk – State law limits eligible investments for the School District, as discusses above. The School District has no investment policy that would further limit its investment choices. As of June 30, 2021, the school did not have investments.

Concentration of Credit Risk – The School District places no limit on the amount that may be invested in any one issuer. As of June 30, 2021, the School District did not have investments.

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 the private-purpose trust fund(s) which retains its investment income. USGAAP, on the other hand, requires income form 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.

Huron School District No. 2-2
Notes to the Financial Statements
June 30, 2021

3. Property Tax:

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

4. Restricted Cash and Investments:

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

Amount	Purpose
\$ 16,102,399	For Debt Service, by debt covenants (Crossover Advance Refundings, the funds will sit in escrow until December 15, 2023)

5. 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. Amounts receivable and due from other governments include reimbursements for various programs. These amounts include \$275,547 for accounts receivable and \$1,710,622 for due from the state or federal government.

6. Inventory:

Inventory held for consumption is stated at cost. Donated commodities are valued at estimated market value based on the USDA price list on the date of receipt.

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

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by a nonspendable fund balance. No material inventories were on hand at June 30, 2021, for the governmental funds.

Huron School District No. 2-2
Notes to the Financial Statements
June 30, 2021

7. Changes in Capital Assets:

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

	<u>Balance 7/01/20</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/21</u>
Primary Government:				
Land	\$ 1,107,646	\$ --	\$ --	\$ 1,107,646
Construction in progress - Restated	4,647,162 (a)	132,627	(4,647,162)	132,627
Total, not being depreciated - Restated	<u>5,754,808 (a)</u>	<u>132,627</u>	<u>(4,647,162)</u>	<u>1,240,273</u>
Capital assets, being depreciated:				
Buildings	39,008,489	6,239,692	--	45,248,181
Improvements other than buildings	5,264,988	--	--	5,264,988
Machinery and equipment	7,519,985	364,586	(545,390)	7,339,181
Total, being depreciated	<u>51,793,462</u>	<u>6,604,278</u>	<u>(545,390)</u>	<u>57,852,350</u>
Less accumulated depreciation for:				
Buildings	11,291,230	785,111	--	12,076,341
Improvements other than buildings	3,469,997	143,681	--	3,613,678
Machinery and equipment	4,885,500	466,232	(530,475)	4,821,257
Total accumulated depreciation	<u>19,646,727</u>	<u>1,395,024</u>	<u>(530,475)</u>	<u>20,511,276</u>
Total capital assets, being depreciated, net	<u>32,146,735</u>	<u>5,209,254</u>	<u>(14,915)</u>	<u>37,341,074</u>
Governmental activity capital assets, net	<u>\$ 37,901,543</u>	<u>\$ 5,341,881</u>	<u>\$ (4,662,077)</u>	<u>\$ 38,581,347</u>

(a) Restated

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 976,517
Support services	348,756
Co-curricular activities	<u>69,751</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,395,024</u>

Huron School District No. 2-2
Notes to the Financial Statements
June 30, 2021

7. Changes in Capital Assets: (Continued)

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

	<u>Balance 7/01/20</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/21</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 712,782	\$ 10,906	\$ (10,755)	\$ 712,933
Total, being depreciated	<u>712,782</u>	<u>10,906</u>	<u>(10,755)</u>	<u>712,933</u>
Less accumulated depreciation for:				
Machinery and equipment	455,510	48,851	(7,903)	496,458
Total accumulated depreciation	<u>455,510</u>	<u>48,851</u>	<u>(7,903)</u>	<u>496,458</u>
Business-type activity capital assets, net	<u>\$ 257,272</u>	<u>\$ (37,945)</u>	<u>\$ (2,852)</u>	<u>\$ 216,475</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	\$ 45,854
Other enterprise funds	<u>2,997</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 48,851</u>

Huron School District No. 2-2
Notes to the Financial Statements
June 30, 2021

8. Long-Term Liabilities:

	<u>Balance 7/01/2020</u>	<u>Balance Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2021</u>	<u>Amount Due Within One Year</u>
Governmental Activities:					
General obligation					
Bond:					
Series 2013	\$ 17,350,000	\$ --	\$ 575,000	\$ 16,775,000	\$ 605,000
Plus unamortized premium	1,432,434	--	75,390	1,357,044	75,390
Series 2017	9,260,000	--	--	9,260,000	--
Plus unamortized premium	474,001	--	24,732	449,269	24,732
Series 2021	--	6,705,000	--	6,705,000	--
Capital outlay certificates:					
Series 2016	3,685,000	--	575,000	3,110,000	590,000
Plus unamortized premium	87,230	--	17,446	69,784	17,446
Series 2013	1,390,000	--	1,390,000	--	--
Series 2019	6,525,000	--	270,000	6,255,000	275,000
Plus unamortized premium	156,392	--	8,688	147,704	8,688
Series 2020	--	2,335,000	40,000	2,295,000	175,000
REED loan	120,000	--	30,000	90,000	30,000
SD Energy Efficient loan	875,640	--	145,940	729,700	145,940
Compensated absences	133,242	212,964	199,086	147,120	147,120
Governmental Activities Long-term Liabilities	<u>\$ 41,488,939</u>	<u>\$ 9,252,964</u>	<u>\$ 3,351,282</u>	<u>\$ 47,390,621</u>	<u>\$ 2,094,316</u>
Business-type Activities:					
	<u>Balance 7/01/2020</u>	<u>Balance Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2021</u>	<u>Amount Due Within One Year</u>
Compensated Absences	<u>\$ 11,323</u>	<u>\$ 10,903</u>	<u>\$ 16,570</u>	<u>\$ 5,656</u>	<u>\$ --</u>

Compensated absences for governmental activities typically have been liquidated from the General and Special Education Funds.

Huron School District No. 2-2
Notes to the Financial Statements
June 30, 2021

8. Long-Term Liabilities: (Continued)

Debt Payable at June 30, 2021 is comprised of the following:

General Obligation Bonds:

The School District issued \$20,195,000 of General Obligation Bonds, Series 2013. The bonds are payable on December 15, 2014 through June 15, 2039 with fixed interest rates from 2.0% to 5.0% that vary depending on the term of maturity. The Bond Redemption Fund makes payment on this debt. \$ 16,775,000

The School District issued \$9,260,000 of General Obligation Bonds(Crossover Advance Refunding), Series 2017. The bonds are payable on February 1, 2018 through February 1, 2039 with fixed interest rates from 2.25% to 3.125% that vary depending on the term of maturity. The funds will sit in escrow until December 15, 2023. The Bond Redemption Fund makes payment on this debt. 9,260,000

The School District issued \$6,705,000 of General Obligation Bonds(Crossover Advance Refunding), Series 2021. The bonds are payable on August 1, 2021 through February 2, 2032 with fixed interest rates from .45% to 1.7% that vary depending on the term of maturity. The funds will sit in escrow until December 15, 2023. The Bond Redemption Fund makes payment on this debt. 6,705,000

Capital Outlay Certificates:

The School District issued \$6,525,000 of Capital Outlay Refunding Certificates, Series 2019. The certificates are payable on February 1, 2020 through August 1, 2039 with fixed interest rates from 1.75% to 3.125% that vary depending on the term of maturity. The Capital Outlay Fund makes payment on this debt. 6,255,000

The School District issued \$5,840,000 of Capital Outlay Refunding Certificates, Series 2016. The certificates are payable on June 1, 2016 through June 1, 2026 with fixed interest rates from 0.85% to 3.5% that vary depending on the term of maturity. The Capital Outlay Fund makes payment on this debt. 3,110,000

The School District issued \$2,335,000 of Capital Outlay Refunding Certificates, Series 2020 on November 9, 2020. The certificates are payable from June 1, 2021 through December 1, 2032 with a fixed interest rate of 2.45%. The Capital Outlay Fund makes payments on this debt. 2,295,000

Rural Electric Economic Development Inc. loan:

The School District received a \$300,000, 0% REED loan on October 2, 2013. Annual payments of \$30,000 are due for 10 years beginning November 1, 2014. The Capital Outlay Fund makes payment on this debt. 90,000

SD Energy Efficient loan:

The School District received a \$1,459,400 0% SD Energy Efficiency loan on November 25, 2013. Annual payments of \$145,940 are due for 10 years beginning July 31, 2016. The Capital Outlay Fund makes payment on this debt. 729,700

Compensated Absences:

Payments for vested accrued vacation leave from the fund from which the employee is generally compensated. 147,120

Huron School District No. 2-2
Notes to the Financial Statements
June 30, 2021

8. Long-Term Liabilities: (Continued)

The annual requirements to amortize the general obligation bonds, and capital outlay certificates outstanding at June 30, 2021, are as follows:

General Obligation Bonds

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2022	\$ 605,000	\$ 1,215,659	\$ 1,820,659
2023	635,000	1,189,769	1,824,769
2024	665,000	1,163,706	1,828,706
2025	1,605,000	1,137,040	2,742,040
2026	1,640,000	1,097,626	2,737,626
2027-2031	9,005,000	4,734,626	13,739,626
2032-2036	11,145,000	2,960,350	14,105,350
2037-2039	7,440,000	536,797	7,976,797
	<u>\$ 32,740,000</u>	<u>\$ 14,035,573</u>	<u>\$ 46,775,573</u>

Capital Outlay Certificates

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2022	\$ 1,040,000	\$ 330,584	\$ 1,370,584
2023	1,075,000	305,999	1,380,999
2024	1,090,000	278,443	1,368,443
2025	1,120,000	245,659	1,365,659
2026	1,170,000	212,300	1,382,300
2027-2031	2,730,000	730,871	3,460,871
2032-2036	2,325,000	347,806	2,672,806
2037-2039	1,110,000	52,443	1,162,443
	<u>\$ 11,660,000</u>	<u>\$ 2,504,105</u>	<u>\$ 14,164,105</u>

Other Loans

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2022	\$ 175,940	\$ --	\$ 175,940
2023	175,940	--	175,940
2024	175,940	--	175,940
2025	145,940	--	145,940
2026	145,940	--	145,940
	<u>\$ 819,700</u>	<u>\$ --</u>	<u>\$ 819,700</u>

Huron School District No. 2-2
Notes to the Financial Statements
June 30, 2021

9. Restricted Net Position:

Restricted Net Position for the year ended June 30, 2021 was as follows:

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Capital outlay	Law	\$ 4,136,101
Special education	Law	993,309
Debt services	Debt covenants	6,842,399
Auditorium	Law	4,946
SDRS Pension purposes	Law	946,895
Total Restricted Net Position		<u>\$ 12,923,650</u>

10. Interfund Transfers:

Transfers to/from other funds at June 30, 2021, consist of the following:

Transfers from the other governmental funds to the General Fund for income earned on deposits	<u>\$ 66,086</u>
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11. Pension Plan:

a. Plan Information:

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

Huron School District No. 2-2
Notes to the Financial Statements
June 30, 2021

11. Pension Plan: (Continued)

b. Benefits Provided:

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

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

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

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

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

Huron School District No. 2-2
Notes to the Financial Statements
June 30, 2021

11. Pension Plan: (Continued)

c. Contributions:

Per SDCL 3-12, contribution requirements of the active employees and participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the years ended June 30, 2021, 2020, and 2019, were as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2021	\$ 1,027,701
2020	\$ 984,198
2019	\$ 937,552

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

At June 30, 2020, SDRS is 100.04% funded and accordingly has a net pension (asset). The proportionate shares of the components of the net pension liability (asset) of South Dakota Retirement System, for the School District as of the measurement period ending June 30, 2020 and reported to the School District as of June 30, 2021 are as follows:

Proportionate share of pension liability	\$ 91,878,473
Less proportionate share of net pension restricted for pension benefits	<u>91,910,933</u>
Proportionate share of net pension (asset)	<u><u>\$ (32,460)</u></u>

At June 30, 2021, the School District reported an (asset) of (32,460) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2020 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the School District's proportion was .74740510%, which is an increase of .0124886% from its proportion measured as of June 30, 2019.

Huron School District No. 2-2
Notes to the Financial Statements
June 30, 2021

11. Pension Plan: (Continued)

For the year ended June 30, 2021, the School District recognized pension expense of \$1,436,703. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 124,176	\$ 25,428
Changes in assumption	1,045,551	4,216,767
Net difference between projected and actual earnings on pension plan investments	3,016,967	--
Changes in proportion and difference between District contributions and proportionate share of contributions	--	57,765
District contributions subsequent to the measurement date	<u>1,027,701</u>	<u>--</u>
Total	<u>\$ 5,214,395</u>	<u>\$ 4,299,960</u>

\$1,027,701 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2022	\$ (411,399)
2023	(301,937)
2024	39,605
2025	<u>560,465</u>
Total	<u>\$ (113,266)</u>

Huron School District No. 2-2
Notes to the Financial Statements
June 30, 2021

11. Pension Plan: (Continued)

e. Actuarial Assumptions:

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

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	58.0%	5.1%
Fixed income	30.0%	1.5%
Real estate	10.0%	6.2%
Cash	2.0%	1.0%
Total	<u>100.0%</u>	

Huron School District No. 2-2
Notes to the Financial Statements
June 30, 2021

11. Pension Plan: (Continued)

f. Discount Rate:

The discount rate used to measure the total pension (asset) was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (asset).

g. Sensitivity of liability (asset) to changes in the discount rate:

The following presents the School District's proportionate share of net pension (asset) calculated using the discount rate of 6.50 percent as well as what the School's proportionate share of the net pension (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.5%) 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 (asset)	\$ 12,592,166	\$ (32,460)	\$ (10,359,179)

h. Pension Plan Fiduciary Net Position:

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

i. Payable to the Pension Plan:

No payables were reported to the defined benefit plan at year end.

12. 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, 2021, 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 does not have a maximum payment per person.

12. Risk Management: (Continued)

Liability Insurance:

The School District joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota School Districts. The objective of ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage.

The School District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident, which could result in a claim being made by or against the School District. The School District pays an annual premium to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage. The School District pays an annual premium to the pool to provide coverage for: General Liability, Automobile Liability, Employee Benefits, School Board Liability, Sexual Harassment, Sexual Abuse, Loss Fund – Liability & Property, Employee Practices Liability, Property and Boiler & Machinery, Crime, and Excess Liability.

The agreement with the ASBSD-PLF provides that the above coverage's will be provided to a \$2,000,000 limit for General Liability, Automobile Liability, Employee Benefits, School Board Liability, Sexual Harassment, Sexual Abuse, and Employee Practices. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limit. The School District carries a \$5,000 for auto damage, property damage, crime, boiler & machinery, \$10,000 school board legal liability with monetary demand, and \$5,000 without monetary demand deductibles.

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 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 provided workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, of 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.

Huron School District No. 2-2
Notes to the Financial Statements
June 30, 2021

12. Risk Management: (Continued)

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 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, 2021 claims of \$0 for unemployment benefits were paid.

13. Postemployment Healthcare Plan:

As of July 1, 2016, current employees are no longer allowed to stay on the School District's healthcare plan at retirement. Retirees on the plan prior to June 30, 2016 are eligible to stay on the School District's healthcare plan until age 65. The OPEB liability as of June 30, 2021 for retirees already on the plan was evaluated and determined to not be material to the Statement of Net Position and therefore no liability is recorded.

14. Early Retirement Plan:

The district maintains an early retirement plan, which allows those meeting certain qualifications, to retire early and receive 65% to 80% of their salary received during their last full year of employment in one lump sum. Payment will be made to the South Dakota Retirement Special Pay Plan on behalf of the employee. All employees reaching the retirement age factor prior to September 1 of the next year are eligible to submit, in writing, a binding intent to elect early retirement, effective on the date the retiring employee reaches the retirement age factor. All retiring employees will receive the balance of their contractual salary on their last day of employment the Huron School District. If the employee elect's retirement during the summer months, payment will be made within 45 days from the time the employee notifies the superintendent, in writing. In the fiscal year 2021, six retiring employees received benefits. The amount paid for such benefits during the year was \$332,862.

Huron School District No. 2-2
Notes to the Financial Statements
June 30, 2021

15. Risks and Uncertainties:

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

16. Restatement and Implementation Of New Standards:

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

Fiduciary Activities - Custodial Funds:

Net Position - June 30, 2020, as previously reported	\$ --
Restatement due to the inclusion of amounts held for others	<u>280,458</u>
Net Position - July 1, 2020, as restated	<u>\$ 280,458</u>

Governmental Activities – Beginning net position is restated to include additional construction in progress amounts of \$1,194,512 as of June 30, 2020.

17. Subsequent Events:

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

**Required Supplementary Information
other than MD&A**

Huron School District No. 2-2
 Budgetary Comparison Schedule – General Fund - Budgetary Basis
 For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 4,658,000	\$ 4,658,000	\$ 5,244,182	\$ 586,182
Prior years' ad valorem taxes	80,000	80,000	53,569	(26,431)
Tax deed revenue	3,000	3,000	103	(2,897)
Utility taxes	424,000	424,000	365,574	(58,426)
Penalties and interest on taxes	15,000	15,000	16,196	1,196
Revenue from Local Governmental Units				
Other Than LEAs:				
Revenue in lieu of taxes	10,000	10,000	7,268	(2,732)
Tuition and Fees:				
Regular day school tuition	20,000	20,000	48,162	28,162
Earnings on Investments and Deposits	50,000	50,000	79,774	29,774
Cocurricular Activities:				
Admissions	80,000	80,000	58,652	(21,348)
Other student activity income	22,000	22,000	23,854	1,854
Other Revenue from Local Sources:				
Rentals	40,000	40,000	27,881	(12,119)
Contributions and donations	10,000	10,000	27,753	17,753
Refund of prior years' expenditures	75,000	75,000	65,646	(9,354)
Charges for services	70,000	70,000	82,410	12,410
Other	145,000	145,000	217,620	72,620
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	240,000	240,000	177,292	(62,708)
Revenue in lieu of taxes	3,000	3,000	3,555	555
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	13,361,000	13,361,000	13,464,497	103,497
Restricted grants-in-aid	1,000	1,000	2,410	1,410
Tuition:				
Regular	125,000	125,000	108,465	(16,535)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through the state	--	--	1,387,500	1,387,500
Restricted grants-in-aid received from federal government through the state	2,570,000	2,570,000	2,586,755	16,755
Other Federal Revenue	10,000	10,000	12,456	2,456
Total Revenue	<u>22,012,000</u>	<u>22,012,000</u>	<u>24,061,574</u>	<u>2,049,574</u>

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

Huron School District No. 2-2
Budgetary Comparison Schedule – General Fund - Budgetary Basis
For the Year Ended June 30, 2021 (Continued)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	\$ 5,152,400	\$ 5,152,400	\$ 5,070,177	\$ 82,223
Middle/junior high	2,159,600	2,390,600	2,389,769	831
High school	3,059,500	3,059,500	2,951,393	108,107
Preschool services	--	4,000	3,615	385
Special Programs:				
Culturally different	956,600	1,048,600	1,048,337	263
Educationally deprived	1,135,000	1,135,000	1,041,662	93,338
Support Services:				
Students:				
Attendance and social work	--	146,000	145,863	137
Guidance	449,600	458,600	454,964	3,636
Health	109,200	116,200	114,829	1,371
Psychological	5,000	5,000	--	5,000
Instructional Staff:				
Improvement of instruction	486,200	533,200	496,427	36,773
Educational media	1,570,400	1,573,400	822,475	750,925
General Administration:				
Board of education	307,000	308,000	271,034	36,966
Executive administration	273,500	311,500	311,122	378
School Administration:				
Office of the principal	900,200	902,200	901,560	640
Other	371,300	371,300	360,058	11,242
Business:				
Fiscal services	451,600	451,600	426,313	25,287
Operation and maintenance of plant	2,633,800	3,277,800	3,273,505	4,295
Student transportation	834,600	835,600	809,173	26,427
Food services	80,000	110,000	98,866	11,134
Central:				
Staff	3,000	3,000	205	2,795
Community Services:				
Recreation	32,600	32,600	20,013	12,587
Custody and care of children	150,000	175,000	174,029	971
Nonpublic school	--	65,000	64,065	935
Nonprogrammed Charges:				
Payments to state - unemployment	5,000	8,500	8,418	82
Early retirement payments	320,000	320,000	262,777	57,223
Cocurricular Activities:				
Male activities	367,800	376,800	370,720	6,080
Female activities	346,900	368,900	361,050	7,850
Combined activities	359,200	370,200	283,010	87,190
Contingencies	--	--	--	--
Amounts Transferred (Enter as Negative)	--	--	--	--
Total Expenditures	<u>22,520,000</u>	<u>23,910,500</u>	<u>22,535,429</u>	<u>1,375,071</u>
Excess of Revenue Over (Under) Expenditures	<u>(508,000)</u>	<u>(1,898,500)</u>	<u>1,526,145</u>	<u>3,424,645</u>
Other Financing Sources:				
Transfers in	483,000	483,000	66,086	(416,914)
Sale of surplus property	25,000	25,000	71,766	46,766
Compensation for loss of capital assets	--	--	44,700	44,700
Total Other Financing Sources	<u>508,000</u>	<u>508,000</u>	<u>182,552</u>	<u>(325,448)</u>
Net Change in Fund Balances	--	(1,390,500)	1,708,697	3,099,197
Fund Balance, Beginning of Year	<u>3,049,930</u>	<u>3,049,930</u>	<u>3,049,930</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 3,049,930</u>	<u>\$ 1,659,430</u>	<u>\$ 4,758,627</u>	<u>\$ 3,099,197</u>

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

Huron School District No. 2-2
Budgetary Comparison Schedule – Capital Outlay Fund - Budgetary Basis
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 3,586,000	\$ 3,586,000	\$ 3,947,474	\$ 361,474
Prior years' ad valorem taxes	40,000	40,000	25,428	(14,572)
Penalties and interest on taxes	10,000	10,000	9,326	(674)
Earnings on Investments and Deposits	--	--	47,462	47,462
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	40,000	40,000	583,370	543,370
Total Revenues	<u>3,676,000</u>	<u>3,676,000</u>	<u>4,613,060</u>	<u>937,060</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	242,000	242,000	173,929	68,071
Middle/junior high	119,500	119,500	104,832	14,668
High school	140,500	140,500	122,932	17,568
Special Programs:				
Programs for special education	2,000	2,000	1,925	75
Instructional Staff:				
Improvement of institution	1,000	1,000	--	1,000
Educational media	104,000	104,000	89,240	14,760
General Administration:				
Board of education	2,500	2,500	--	2,500
Executive administration	1,000	1,000	--	1,000
School Administration:				
Other	4,500	4,500	2,885	1,615
Business:				
Fiscal services	2,500	2,500	--	2,500
Facilities acquisition and construction	2,500,000	2,500,000	1,756,012	743,988
Operation and maintenance of plant	301,000	791,000	687,268	103,732
Student transportation	187,000	219,000	288,023	(69,023)
Food services	12,500	12,500	12,497	3
Internal services	12,500	12,500	12,500	--
Debt Services:	1,464,000	2,814,000	2,829,428	(15,428)
Cocurricular Activities:				
Combined activities	20,000	20,000	16,290	3,710
Total Expenditures	<u>5,116,500</u>	<u>6,988,500</u>	<u>6,097,761</u>	<u>890,739</u>
Excess of Revenue Over (Under) Expenditures	<u>(1,440,500)</u>	<u>(3,312,500)</u>	<u>(1,484,701)</u>	<u>1,827,799</u>
Other Financing Sources:				
Transfers out	(559,500)	(559,500)	(47,462)	512,038
General long term debt issued	--	--	2,335,000	2,335,000
Compensation for loss of general capital assets	--	--	777	777
Total Other Financing Sources	<u>(559,500)</u>	<u>(559,500)</u>	<u>2,288,315</u>	<u>2,847,815</u>
Net Change in Fund Balances	(2,000,000)	(3,872,000)	803,614	4,675,614
Fund Balance - Beginning of Year	<u>3,332,487</u>	<u>3,332,487</u>	<u>3,332,487</u>	<u>--</u>
Fund Balance - End of Year	<u>\$ 1,332,487</u>	<u>\$ (539,513)</u>	<u>\$ 4,136,101</u>	<u>\$ 4,675,614</u>

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

Huron School District No. 2-2
 Budgetary Comparison Schedule – Special Education Fund - Budgetary Basis
 For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 2,061,000	\$ 2,061,000	\$ 2,514,351	\$ 453,351
Prior years' ad valorem taxes	20,000	20,000	15,142	(4,858)
Penalties and interest on taxes	6,000	6,000	5,855	(145)
Earnings on Investments and Deposits	--	--	14,272	14,272
Other Revenue from Local Sources:				
Charges for services	158,000	158,000	89,091	(68,909)
Other	2,000	2,000	31,263	29,263
Revenue from State Sources:				
Grants-in-Aid:				
Restricted grants-in-aid	2,177,000	2,177,000	2,161,134	(15,866)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	825,000	825,000	763,144	(61,856)
Total Revenues	<u>5,249,000</u>	<u>5,249,000</u>	<u>5,594,252</u>	<u>345,252</u>
Expenditures:				
Instruction:				
Special Programs:				
Programs for special education	3,777,200	3,808,200	3,527,449	280,751
Support Services:				
Students:				
Attendance and social work	25,600	25,600	20,937	4,663
Guidance	2,000	2,000	--	2,000
Health	110,300	112,300	111,626	674
Psychological	245,300	248,300	247,354	946
Speech pathology	609,000	609,000	537,502	71,498
Student therapy services	155,200	175,200	172,260	2,940
Instructional Staff:				
Improvement of instruction	11,000	11,000	4,721	6,279
School Administration:				
Office of principal	20,000	20,000	--	20,000
Special Education:				
Administrative costs	185,900	185,900	180,852	5,048
Transportation costs	107,500	175,500	174,952	548
Other special education costs	--	--	--	--
Total Expenditures	<u>5,249,000</u>	<u>5,373,000</u>	<u>4,977,653</u>	<u>395,347</u>
Excess of Revenue Over (Under) Expenditures	<u>--</u>	<u>(124,000)</u>	<u>616,599</u>	<u>740,599</u>
Other Financing Uses:				
Transfers out	--	--	(14,272)	(14,272)
Total Other Financing Uses	<u>--</u>	<u>--</u>	<u>(14,272)</u>	<u>(14,272)</u>
Net Change in Fund Balances	--	(124,000)	602,327	726,327
Fund Balance, Beginning of Year	<u>390,982</u>	<u>390,982</u>	<u>390,982</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 390,982</u>	<u>\$ 266,982</u>	<u>\$ 993,309</u>	<u>\$ 726,327</u>

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

Huron School District No. 2-2
Notes to the Required Supplementary Information
June 30, 2021

1. Budgets and Budgetary Accounting:

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

- a. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
- c. The proposed budget is published for public review no later than July 15 each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
- f. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in letter h.
- g. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
- h. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
- i. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
- j. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
- k. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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 Balance, 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 Pupil Transportation related expenditures.

Huron School District No. 2-2
Schedule of the School District Contributions
to the South Dakota Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,027,701	\$ 984,198	\$ 937,552	\$ 916,220	\$ 878,314	\$ 795,497	\$ 743,419
Contributions in relation to the contractually required contribution	<u>1,027,701</u>	<u>984,198</u>	<u>937,552</u>	<u>916,220</u>	<u>878,314</u>	<u>795,497</u>	<u>743,419</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 17,118,057	\$ 16,392,281	\$ 15,607,777	\$ 15,253,766	\$ 14,618,234	\$ 13,258,233	\$ 12,389,436
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

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

Huron School District No. 2-2
Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset)
of the South Dakota Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.7474051%	0.7349165%	0.7345063%	0.7208063%	0.6973059%	0.6786550%	0.6877786%
District's proportionate share of net pension liability (asset)	\$ (32,460)	\$ (77,881)	\$ (17,130)	\$ (65,414)	\$ 2,355,431	\$ (2,878,370)	\$ (4,955,164)
District's covered-employee payroll	\$ 16,392,281	\$ 15,607,777	\$ 15,253,766	\$ 14,618,234	\$ 13,258,233	\$ 12,389,436	\$ 12,026,801
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.20%	0.50%	0.11%	0.45%	17.77%	23.23%	41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

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

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

Huron School District No. 2-2
Notes to Required Supplementary Information
June 30, 2021

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

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

Actuarial Assumption Changes

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

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

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

Actuarial Method Changes

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

Supplementary Information

Huron School District No. 2-2
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
US Department of Agriculture:			
Pass-Through the SD Department of Education			
Child nutrition cluster:			
School Breakfast Program (Note 3)	10.553	N/A	\$ 17,361
National School Lunch Program (Note 3)	10.555	N/A	119,848
National School Lunch Program - commodities	10.555	N/A	115,377
Summer Food Service Program for Children	10.559	N/A	<u>1,530,875</u>
Total for Child Nutrition Cluster			<u>1,783,461</u>
Other Programs:			
Fresh Fruit and Vegetable Program	10.582	N/A	<u>107,237</u>
Total for Other Programs			<u>107,237</u>
Total US Department of Agriculture			<u>1,890,698</u>
General Services Administration:			
Pass-Through the SD Federal Property Agency:			
Donation of Federal Surplus Personal Property (Note 4)	39.003	N/A	<u>26,380</u>
Total General Services Administration			<u>26,380</u>
National Foundation on the Arts and Humanities			
Pass-Through the SD Department of Education			
Grants to States	45.310	N/A	<u>1,000</u>
Total National Foundation on the Arts and Humanities			<u>1,000</u>
US Department of Education:			
Pass-Through the SD Department of Education:			
Other Programs:			
Coronavirus Relief Fund	21.019	N/A	1,387,500
Title I Grants to Local Educational Agencies	84.010	N/A	1,076,766
Migrant education - state grant program	84.011	N/A	136,067
Career and technical education	84.048	VO48A150041	51,935
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	N/A	85,851
Twenty-First Century Community Learning Centers	84.287	N/A	173,706
English language acquisition grants (Title III)	84.365	S365A150041	176,431
Improving teacher quality state grants	84.367	N/A	219,276
Title IV Transfer	84.424	N/A	107,125
Cares ESSER funds	84.425D	N/A	<u>1,075,468</u>
Total for Department of Education Other Programs			<u>4,490,125</u>
Special Education Cluster:			
Special education - grants to states (IDEA, Part B)	84.027	H027A150091	666,837
Special education - preschool grants (IDEA Preschool)	84.173	H173A150091	<u>10,456</u>
Total for Special Education Cluster			<u>677,293</u>
Total US Department of Education			<u>5,167,418</u>
US Environmental Protection Agency			
Pass-Through SD Department of Environment and Natural Resources:			
State Clean Diesel Grant Program	66.040	N/A	<u>45,114</u>
Department of Health and Human Service:			
Pass-Through Luthern Social Services of South Dakota:			
Refugee and Entrant Assistance - Discretionary Grants	93.576	90ZE0195	<u>12,456</u>
Total Department of Health and Human Service			<u>12,456</u>
Grand Total			<u>\$ 7,143,066</u>

Huron School District No. 2-2
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021 (Continued)

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The School District has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance

Note 3: Federal Reimbursement

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

Note 4: Federal Surplus Property

The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the School District. (Original acquisition cost is provided by Federal Surplus Property. It is not what the school actually paid for the item.)

Huron School District No. 2-2

School District Officials

June 30, 2021

Board Members:

Garret Bischoff----- Board President

Tim Van Berkum-----Vice President

Shelly Siemonsma----- Member

Craig Lee----- Member

Kristi Glanzer ----- Member

Dr. Kraig Steinhoff -----Superintendent

Kelly Christopherson -----Business Manager