

BON HOMME SCHOOL DISTRICT NO. 4-2
OF BON HOMME COUNTY

AUDIT REPORT

FISCAL YEAR JULY 1, 2021, TO JUNE 30, 2022

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

BON HOMME SCHOOL DISTRICT NO. 4-2
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2022

BOARD MEMBERS:

Jason Humpal – President
Derrick Johnson – Vice-President
Ben Hellmann
Mark Povondra
Ann Rohlfing
Angela Schnetzer
Janet Wagner

SUPERINTENDENT:

Brad Peters

BUSINESS MANAGER:

Gary Kortan

Schoenfish & Co., Inc.

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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
Bon Homme School District No. 4-2
Bon Homme County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bon Homme School District No. 4-2, South Dakota (School District), as of June 30, 2022 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 27, 2023, which was adverse because the other post-employment benefits liability is not recorded, and because we were not able to determine the accuracy of the cash balances beyond the fact that material misstatements exist and those amounts affect the proper reporting of revenue and expenditures/expenses.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items 2022-001 and 2022-002 to be material weaknesses.

Compliance and Other Matters

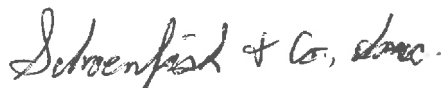
As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2022-003.

School District's Response to Findings

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

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.



Schoenfish & Co., Inc.
Certified Public Accountants
April 27, 2023

Schoenfish & Co., Inc.

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

School Board
Bon Homme School District No. 4-2
Bon Homme County, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Bon Homme School District No. 4-2, South Dakota (School District), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2022. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

In our opinion, the Bon Homme School District No. 4-2 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control 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* 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.

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

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

Purpose of this Report

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



Schoenfish & Co., Inc.
Certified Public Accountants
April 27, 2023

Schoenfish & Co., Inc.

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SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Prior Federal Compliance Audit Findings:

There are no prior federal audit findings to disclose.

Prior Other Audit Findings:

Prior Finding Number 2021-001:

A material weakness was reported for a lack of segregation of duties for revenues. This comment has not been corrected and is restated as current audit finding number 2022-001.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTSSummary of the Independent Auditor's Results:Financial Statements

- a. An adverse opinion was issued on the financial statements as a whole.
- b. Material weaknesses were disclosed by our audit of the financial statements for a lack of segregation of duties for revenue as discussed in finding number 2022-001 and for errors and omissions as discussed in finding number 2022-002.
- c. Our audit did disclose noncompliance which was material to the financial statements and is discussed in finding number 2022-003.

Federal Awards

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the 2 CFR 200.516(a).
- f. The federal awards tested as major programs were:
 - 1. Child Nutrition Cluster:
 - a. School Breakfast Program ALN 10.553
 - b. National School Lunch Program ALN 10.555
 - c. Special Milk Program for Children ALN 10.556
 - d. Fresh Fruit and Vegetable Program ALN 10.582
 - 2. Education Stabilization Fund:
 - a. Elementary & Secondary School Emergency Relief Fund ALN 84.425D
 - b. American Rescue Plan Elementary and Secondary
Emergency Relief ALN 84.425U
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- h. Bon Homme School District No. 4-2 did qualify as a low-risk entity.

CURRENT FEDERAL AUDIT FINDINGS:

There are no current federal audit findings to disclose.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)

CURRENT OTHER AUDIT FINDINGS

Internal Control – Related Findings – Material Weakness:

Finding Number 2022-001:

Condition:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues.

Criteria:

Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Cause:

A limited number of employees process all transactions from beginning to end. A limited number of employees also receive and disburse money, issue receipts and checks, post receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare financial statements.

Effect:

As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

Identification as a Repeat Finding:

This is a repeat audit finding since fiscal year 1998.

Recommendation:

1. We recommend that the Bon Homme School District officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever, possible and practical.

Finding Number 2022-002:

Condition:

Errors and omissions were noted in the annual financial statements prepared by school officials.

Criteria:

Accurate and complete financial information must be presented to be useful to the users of these financial statements.

Cause:

- Some of the more significant errors and omissions noted in the annual financial statements are as follows:
- a. The software did not have accurate cash balances. The cash spreadsheets were balanced, but entries were not properly recorded into the software to ensure that the cash balances were properly adjusted. This also affects the proper reporting of revenues and expenditures/expenses.
 - b. New leases should be assessed to determine if they should be capitalized. Adjustments were recorded for material leases entered into during the year.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)

Effect:

As a result, inaccurate and incomplete information was being presented to the users of these financial statements.

Identification as a Repeat Finding:

This is the first year in which a similar finding has been reported.

Recommendation:

2. We recommend future annual financial statements be accurately prepared in accordance with generally accepted accounting principles.

Compliance – Related Finding:Finding Number 2022-003:Condition:

Expenditures exceeded the amounts budgeted in the Special Education Fund and the General Fund was budgeted to spend more money than was available.

Criteria:

SDCL 13-11 states in part, "the school board shall prepare a proposed budget for the next fiscal year according to the budgeting standards prescribed by the auditor general for consideration not later than the regular meeting the month of May.....Before October first, every school shall approve a budget for the anticipated obligations of each fund, except trust and agency funds, for the school fiscal year.

Cause:

The School District expended money in excess of amounts budgeted without amending the budget as allowed by SDCL 13-11-3.2. Also the School District budgeted to spend more than available, which is not allowed as stated in SDCL 13-11-2.

Effect:

Without amending the budget or limiting expenditures, expenditures are being made without proper authority. Also, budgets are not being properly adopted in accordance with budgetary guidelines.

Identification as a Repeat Finding:

This is the first year in which a similar finding has been reported.

Recommendation:

3. We recommend that budgets be adopted in accordance with SDCL 13-11-2 and that the expenditures be limited to amounts budgeted or budget amendments be made in accordance with SDCL 13-11-3.2 to allow for expenditures.

CLOSING CONFERENCE

The audit was discussed with the officials during the course of the audit and with the business manager on May 11, 2023. The board members were invited but unable to attend.

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BON HOMME SCHOOL DISTRICT #04-2

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Tyndall, SD 57066
Telephone (605) 589-3388 Fax (605) 589-3468

Brad Peters
Superintendent/Secondary Principal

Dan Aaker
Elementary Principal/Activity Director

Gary Kortan
Business Manager

April 24, 2023

Corrective Action Plan

Finding Number 2022-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues.

Cause:

A limited number of employees process all transactions from beginning to end. A limited number of employees also receive and disburse money, issue receipts and checks, post receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare financial statements.

Identification as a repeat Finding:

This has been a continuing audit finding since fiscal year 1998.

Planned Corrective Action:

Bon Homme School District Business Manager, Gary Kortan, is the contact person responsible for this corrective action plan for this finding. Finding is due to the limited number of staff employed by the District in the business office. Staffing the office at an efficient and financially feasible level precludes the hiring of additional personnel to provide an ideal environment to suffice internal controls. We are aware of the weakness in internal controls and the findings that have been noted and will adhere to policies and procedures we have in place while providing compensating controls to reduce risk. This is an ongoing process.

Finding Number 2022-002:

Errors and omissions were noted in the annual financial statements prepared by school officials.

Cause:

Some of the more significant errors and omissions noted in the annual financial statements are as follows:

- a. The software did not have accurate cash balances. The cash spreadsheets were balanced, but entries were not properly recorded into the software to ensure that the cash balances were properly adjusted. This also affects the proper reporting of revenues and expenditures/expenses.
- b. New leases should be assessed to determine if they should be capitalized. Adjustments were recorded for material leases entered into during the year.

Identification as a Repeat Finding:

This is the first year in which a similar finding has been reported.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)

Planned Corrective Action:

Bon Homme School District Business Manager, Gary Kortan, is the contact person responsible for this corrective action plan for this finding. Finding is due to current procedures not meeting accurate reporting of cash balances along with lease accounting. I am aware of the findings and an effort will be made in both instances to correct going forward. This is an ongoing process.

Finding Number 2022-003:

Expenditures exceeded the amounts budgeted in the Special Education Fund and the General Fund was budgeted to spend more money than was available.

Cause:

The School District expended money in excess of amounts budgeted without amending the budget as allowed by SDCL 13-11-3.2. Also the School District budgeted to spend more than available, which is not allowed as stated in SDCL 13-11-2.

Identification as a Repeat Finding:

This is the first year in which a similar finding has been reported.

Planned Corrective Action:

Bon Homme School District Business Manager, Gary Kortan, is the contact person responsible for this corrective action plan for this finding. Expenditures are compared to budgeted amounts and supplemental budgets will be presented when warranted to the best of our abilities along with budgets being presented with accurate funds. I am aware of the finding and will attempt to remedy going forward.



Brad Peters, Superintendent

4-25-23

Date



Gary Kortan, Business Manager

4-25-23

Date

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INDEPENDENT AUDITOR'S REPORT

School Board
Bon Homme School District No. 4-2
Bon Homme County, South Dakota

Adverse Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Bon Homme School District No. 4-2, South Dakota, (School District) as of June 30, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on the Financial Statements as a Whole section of our report, the financial statements referred to above do not present fairly the financial position of the Bon Homme School District No. 4-2 as of June 30, 2022, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Adverse Opinion on the Financial Statements as a Whole

The software did not have accurate cash balances. The cash spreadsheets were balanced, but entries were not properly recorded into the software to ensure that the cash balances were properly adjusted. This also affects the proper reporting of revenues and expenditures/expenses. The School District also did not record the unfunded liability for other post-employment benefits in the governmental activities. The total OPEB liability of the employer was not actuarially determined in accordance with GASB Statement 75 but the liability at June 30, 2022 is potentially a material amount.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bon Homme School District No. 4-2, South Dakota, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2022, the school District adopted Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bon Homme School District No. 4-2, South Dakota's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bon Homme School District No. 4-2, South Dakota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bon Homme School District No. 4-2, South Dakota's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

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

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consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the List of School District Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2023 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Schoenfish & Co., Inc.

Schoenfish & Co., Inc.
Certified Public Accountants
April 27, 2023

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

BON HOMME SCHOOL DISTRICT NO. 4-2
STATEMENT OF NET POSITION
As of June 30, 2022

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS:			
Cash and Cash Equivalents	2,381,512.86	126,032.70	2,507,545.56
Investments	124,055.88		124,055.88
Taxes Receivable	1,423,369.99		1,423,369.99
Other Assets	659,791.99		659,791.99
Inventories		6,231.26	6,231.26
Net Pension Asset	1,064,915.65		1,064,915.65
Capital Assets:			
Land	37,671.00		37,671.00
Other Capital Assets, Net of Depreciation	6,359,914.20	38,306.95	6,398,221.15
TOTAL ASSETS	12,051,231.57	170,570.91	12,221,802.48
DEFERRED OUTFLOWS OF REOUSRCES:			
Pension Related Deferred Outflows	1,471,199.92		1,471,199.92
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,471,199.92	0.00	1,471,199.92
LIABILITIES:			
Accounts Payable	60,269.52	2,132.39	62,401.91
Other Current Liabilities	520,117.40	19,677.70	539,795.10
Unearned Revenue	21,266.51	47,834.37	69,100.88
Noncurrent Liabilities:			
Due Within One Year	391,381.68		391,381.68
Due in More than One Year	1,462,017.14		1,462,017.14
TOTAL LIABILITIES	2,455,052.25	69,644.46	2,524,696.71
DEFERRED INFLOWS OF RESOURCES:			
Property Taxes Levied for Future Period	1,363,239.91		1,363,239.91
Pension Related Deferred Inflows	2,060,245.97		2,060,245.97
TOTAL DEFERRED INFLOWS OF RESOURCES	3,423,485.88	0.00	3,423,485.88
NET POSITION:			
Net Investment in Capital Assets	4,649,554.93	38,306.95	4,687,861.88
Restricted for:			
Capital Outlay Purposes	1,201,904.69		1,201,904.69
Special Education Purposes	525,212.68		525,212.68
Auditorium Building Purposes	4,023.98		4,023.98
SDRS Pension Purposes	475,869.60		475,869.60
Unrestricted (Deficit)	787,327.48	62,619.50	849,946.98
TOTAL NET POSITION	7,643,893.36	100,926.45	7,744,819.81

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

BON HOMME SCHOOL DISTRICT NO. 4-2
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating		Governmental Activities	Primary Government	
		Grants and Contributions	Capital Grants and Contributions		Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instruction	3,061,851.28	566,717.90		(2,495,133.38)		(2,495,133.38)
Support Services	2,844,251.64	347,615.58		(2,486,760.76)		(2,486,760.76)
Nonprogrammed Charges	25,700.87			(25,700.87)		(25,700.87)
*Interest on Long-Term Debt	42,491.32			(42,491.32)		(42,491.32)
Cocurricular Activities	350,313.19			(321,631.70)		(321,631.70)
Total Governmental Activities	6,324,608.30	914,333.48	0.00	(5,371,718.03)		(5,371,718.03)
Business-type Activities:						
Food Service	389,977.40	400,066.54			65,408.71	65,408.71
Preschool	77,183.96	21,000.00			(29,208.96)	(29,208.96)
Driver's Education	8,566.27				183.73	183.73
Total Business-type Activities	475,727.63	421,066.54	0.00		36,383.48	36,383.48
Total Primary Government	6,800,335.93	1,335,400.02	0.00	(5,371,718.03)	36,383.48	(5,335,334.55)
General Revenues:						
Taxes:						
Property Taxes				3,216,113.18		3,216,113.18
Utility Taxes				161,160.41		161,160.41
Revenue from State Sources:						
State Aid				2,295,726.40		2,295,726.40
Other				100.00		100.00
Revenue from Federal Sources				301,062.00		301,062.00
Grants and Contributions not Restricted to Specific Programs						
Unrestricted Investment Earnings				1,815.00		1,815.00
Other General Revenues				(7,408.32)	364.00	(7,044.32)
Transfers				38,775.64	8,258.25	47,033.89
				(32,000.00)	32,000.00	0.00
Total General Revenues and Transfers				5,975,344.31	40,622.25	6,015,966.56
Change in Net Position				603,626.28	77,005.73	680,632.01
Net Position - Beginning				7,040,267.08	23,920.72	7,064,187.80
NET POSITION - ENDING				7,643,893.36	100,926.45	7,744,819.81

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

BON HOMME SCHOOL DISTRICT NO. 4-2
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Auditorium Building Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	603,330.27	1,165,770.63	581,303.08	4,023.98	2,354,427.96
Investments	124,055.88				124,055.88
Taxes Receivable--Current	451,911.37	574,695.35	336,633.19		1,363,239.91
Taxes Receivable--Delinquent	32,922.40	16,949.68	10,258.00		60,130.08
Due from Other Government	628,274.84	31,517.15			659,791.99
TOTAL ASSETS	1,840,494.76	1,788,932.81	928,194.27	4,023.98	4,561,645.82
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	48,516.61	8,164.77	3,588.14		60,269.52
Contracts Payable	347,903.23		47,250.22		395,153.45
Payroll Deductions and Withholdings and Employer Matching Payable	109,453.91		15,510.04		124,963.95
Unearned Revenue	17,098.51	4,168.00			21,266.51
Total Liabilities	522,972.26	12,332.77	66,348.40	0.00	601,653.43
Deferred Inflows of Resources:					
Unavailable Revenue - Property Taxes	32,922.40	16,949.68	10,258.00		60,130.08
Property Taxes Levied for Future Period	451,911.37	574,695.35	336,633.19		1,363,239.91
Total Deferred Inflows of Resources	484,833.77	591,645.03	346,891.19	0.00	1,423,369.99
Fund Balances:					
Restricted:					
Capital Outlay		1,184,955.01			1,184,955.01
Special Education			514,954.68		514,954.68
Auditorium Building				4,023.98	4,023.98
Assigned for Next Year's Budget	5,455.00				5,455.00
Unassigned	827,233.73				827,233.73
Total Fund Balances	832,688.73	1,184,955.01	514,954.68	4,023.98	2,536,622.40
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	1,840,494.76	1,788,932.81	928,194.27	4,023.98	4,561,645.82

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

BON HOMME SCHOOL DISTRICT NO. 4-2
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Total Fund Balances - Governmental Funds	<u>2,536,622.40</u>
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.	<u>1,064,915.65</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>6,397,585.20</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>1,471,199.92</u>
Long-term liabilities, including capital outlay certificates payable, early retirement payable, and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,853,398.82)</u>
Assets such as taxes receivable that are not available to pay for current period expenditures are deferred in the funds.	<u>60,130.08</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(2,060,245.97)</u>
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	<u>27,084.90</u>
Net Position - Governmental Activities	<u><u>7,643,893.36</u></u>

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

BON HOMME SCHOOL DISTRICT NO. 4-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Auditorium Building Fund	Total Governmental Funds
Revenues:					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	1,068,337.63	1,315,294.18	792,516.70		3,176,148.51
Prior Years' Ad Valorem Taxes	14,252.51	8,279.76	5,229.69		27,761.96
Utility Taxes	161,160.41				161,160.41
Penalties and Interest on Taxes	3,935.71	1,660.15	1,034.44		6,630.30
Revenue in Lieu of Taxes	1,699.76				1,699.76
Earnings on Investments and Deposits	(12,031.67)	2,686.84	1,711.25	181.18	(7,452.40)
Cocurricular Activities:					
Admissions	21,194.69				
Rentals	366.00			1,517.40	22,712.09
Other Student Activity Income	5,603.40				366.00
Other Revenue from Local Sources:					5,603.40
Contributions and Donations	16,592.00	264,500.00			281,092.00
Charges for Services	8,216.30		1,659.00		9,875.30
Other	22,516.40				22,516.40
Revenue from Intermediate Sources:					
County Sources:					
County Apportionment	14,207.80				14,207.80
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid	2,295,726.40				2,295,726.40
Other State Revenue	100.00				100.00
Revenue from Federal Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid Received					
Directly from Federal Government	301,062.00				301,062.00
Restricted Grants-in-Aid Received from					
Federal Government Through the State	603,539.33	31,517.15			635,056.48
Total Revenue	4,526,478.67	1,623,938.08	802,151.08	1,698.58	6,954,266.41

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

BON HOMME SCHOOL DISTRICT NO. 4-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Auditorium Building Fund	Total Governmental Funds
Expenditures:					
Instruction:					
Regular Programs:					
Elementary	1,525,234.81	16,228.64			1,541,463.45
Middle/Junior High	350,066.43	25,491.65			375,558.08
High School	640,611.45	38,105.86			678,717.31
Special Programs:					
Programs for Special Education			476,165.30		476,165.30
Educationally Deprived	161,295.56				161,295.56
Support Services:					
Students:					
Guidance	118,432.57				118,432.57
Health	1,237.69				1,237.69
Psychological			33,438.00		33,438.00
Speech Pathology			46,813.00		46,813.00
Student Therapy Services			20,062.00		20,062.00
Instructional Staff:					
Improvement of Instruction	40,324.42		43.06		40,367.48
Educational Media	142,093.77	13,905.53			155,999.30
General Administration:					
Board of Education	51,121.72				51,121.72
Executive Administration	140,862.10	493.13			141,355.23
School Administration:					
Office of the Principal	346,200.10	1,340.39			347,540.49
Title I Program Administration	12,607.93				12,607.93
Other	771.54				771.54
Business:					
Fiscal Services	113,697.11	694.63			114,391.74
Facilities Acquisition and Construction		10,154.44			10,154.44
Operation and Maintenance of Plant	699,477.29	201,651.27			901,128.56
Student Transportation	245,873.91				245,873.91
Food Services	17,649.62				17,649.62
Central:					
Staff	5,163.27				5,163.27

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

BON HOMME SCHOOL DISTRICT NO. 4-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

Expenditures (Cont.):	General Fund	Capital Outlay Fund	Special Education Fund	Auditorium Building Fund	Total Governmental Funds
Support Services:					
Special Education:					
Administrative Costs			62,163.71		62,163.71
Transportation Costs			636.00		636.00
Other Special Education Costs			76,119.55		76,119.55
Nonprogrammed Charges:					
Early Retirement Payments	40,691.54				40,691.54
Miscellaneous - Unexplained Variance	40,542.73	(3,211.52)	(20,424.58)		16,906.63
Debt Services		373,963.32			373,963.32
Cocurricular Activities:					
Male Activities	91,037.77	7,087.97			98,125.74
Female Activities	74,630.97	2,517.92			77,148.89
Transportation	48,599.11				48,599.11
Combined Activities	65,081.91	17,338.04			82,419.95
Capital Outlay		221,923.08			221,923.08
Total Expenditures	4,973,305.32	927,684.35	695,016.04	0.00	6,596,005.71
Excess of Revenue Over (Under) Expenditures	(446,826.65)	696,253.73	107,135.04	1,698.58	358,260.70
Other Financing Sources (Uses):					
Transfers In	400,000.00				400,000.00
Transfers Out	(32,000.00)	(400,000.00)			(432,000.00)
General Long-Term Debt Issued		174,318.00			174,318.00
Sale of Surplus Property	351.68				351.68
Total Other Financing Sources (Uses)	368,351.68	(225,682.00)	0.00	0.00	142,669.68
Net Change in Fund Balances	(78,474.97)	470,571.73	107,135.04	1,698.58	500,930.38
Fund Balance - Beginning	911,163.70	714,383.28	407,819.64	2,325.40	2,035,692.02
FUND BALANCE - ENDING	832,688.73	1,184,955.01	514,954.68	4,023.98	2,536,622.40

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

BON HOMME SCHOOL DISTRICT NO. 4-2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds	<u>500,930.38</u>
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.	<u>221,923.08</u>
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.	<u>(600,253.40)</u>
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	<u>(1,278.01)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	<u>331,472.00</u>
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.	<u>(174,318.00)</u>
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".	<u>5,572.41</u>
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.	<u>31,572.01</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (pension expense)	<u>10,347.25</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>278,165.98</u>
Internal service funds are used by management to charge the costs of certain activities, such as self-insurance to individual funds. The net revenue (expense) of the internal service funds is reported within the governmental activities.	<u>(507.42)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 603,626.28</u></u>

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

BON HOMME SCHOOL DISTRICT NO. 4-2
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of June 30, 2022

	Enterprise Funds			Unemployment Insurance Fund
	Food Service Fund	Preschool/ Driver's Ed. Fund	Totals	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	124,682.82	1,349.88	126,032.70	27,084.90
Inventory of Supplies	1,232.82		1,232.82	
Inventory of Stores Purchased for Resale	1,850.71		1,850.71	
Inventory of Donated Food	3,147.73		3,147.73	
Total Current Assets	130,914.08	1,349.88	132,263.96	27,084.90
Noncurrent Assets:				
Capital Assets:				
Machinery and Equipment--Local Funds	120,832.37		120,832.37	
Machinery and Equipment--Federal Assistance	2,500.00		2,500.00	
Less: Accumulated Depreciation	(85,025.42)		(85,025.42)	
Total Noncurrent Assets	38,306.95	0.00	38,306.95	0.00
TOTAL ASSETS	169,221.03	1,349.88	170,570.91	27,084.90
LIABILITIES:				
Current Liabilities:				
Accounts Payable	1,380.00	752.39	2,132.39	
Contracts Payable	404.03	10,031.80	10,435.83	
Payroll Deductions and Withholdings and Employer Matching Payable	6,546.52	2,695.35	9,241.87	
Unearned Revenue - Student Meals	33,508.91		33,508.91	
Unearned Revenue - Grant	14,325.46		14,325.46	
TOTAL LIABILITIES	56,164.92	13,479.54	69,644.46	0.00
NET POSITION:				
Net Investment in Capital Assets	38,306.95		38,306.95	
Unrestricted Net Position	74,749.16	(12,129.66)	62,619.50	27,084.90
TOTAL NET POSITION	113,056.11	(12,129.66)	100,926.45	27,084.90

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

BON HOMME SCHOOL DISTRICT NO. 4-2
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2022

	Enterprise Funds			
	Food Service Fund	Preschool/ Driver's Ed. Fund	Totals	Unemployment Insurance Fund
Operating Revenue:				
Food Sales:				
Adults	110.45		110.45	
Ala Carte	54,761.87		54,761.87	
Other Charges for Goods and Services:				
Food Service	447.25		447.25	
Preschool		26,975.00	26,975.00	
Driver's Education		8,750.00	8,750.00	
Total Operating Revenue	55,319.57	35,725.00	91,044.57	0.00
Operating Expenses:				
Food Service:				
Salaries	118,366.80		118,366.80	
Employee Benefits	55,315.38		55,315.38	
Purchased Services	43,185.60		43,185.60	
Supplies	2,822.34		2,822.34	
Cost of Sales - Purchased	135,282.83		135,282.83	
Cost of Sales - Donated	29,897.98		29,897.98	
Other	1,031.69		1,031.69	551.50
Depreciation	4,074.78		4,074.78	
Preschool		77,183.96	77,183.96	
Driver's Education		8,566.27	8,566.27	
Total Operating Expenses	389,977.40	85,750.23	475,727.63	551.50
Operating Income (Loss)	(334,657.83)	(50,025.23)	(384,683.06)	(551.50)
Nonoperating Revenue:				
Investment Earnings	362.19	1.81	364.00	44.08
Contributions and Donations		21,000.00	21,000.00	
State Grants	855.53		855.53	
Federal Grants	374,163.46		374,163.46	
Donated Food	25,047.55		25,047.55	
Miscellaneous - Unexplained Variance	8,258.25		8,258.25	
Total Nonoperating Revenue	408,686.98	21,001.81	429,688.79	44.08
Income (Loss) Before Transfers	74,029.15	(29,023.42)	45,005.73	(507.42)
Transfers In		32,000.00	32,000.00	
Change in Net Position	74,029.15	2,976.58	77,005.73	(507.42)
Net Position - Beginning	39,026.96	(15,106.24)	23,920.72	27,592.32
NET POSITION - ENDING	113,056.11	(12,129.66)	100,926.45	27,084.90

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

BON HOMME SCHOOL DISTRICT NO. 4-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2022

	Enterprise Funds		
	Food Service Fund	Preschool/ Driver's Education Fund	Unemployment Insurance Fund
			Totals
Cash Flows from Operating Activities:			
Cash Receipts from Customers	54,340.84	35,725.00	90,065.84
Cash Payments to Employees for Services	(175,016.12)	(95,347.93)	(270,364.05)
Cash Payments to Suppliers of Goods and Services	(182,092.27)	7,258.76	(174,833.51)
Net Cash Provided (Used) by Operating Activities	(302,767.55)	(52,364.17)	(355,131.72)
Cash Flows from Noncapital Financing Activities:			
Transfers from General Fund		32,000.00	32,000.00
Operating Grants	400,670.17		400,670.17
Contributions and Donations		21,000.00	21,000.00
Miscellaneous - Unexplained Variance	8,258.25		8,258.25
Net Cash Provided (Used) from Noncapital Financing Activities	408,928.42	53,000.00	461,928.42
Cash Flows from Investing Activities:			
Cash Received for Interest	362.19	1.81	364.00
Net Cash Provided by Investing Activities	362.19	1.81	364.00
Net Increase (Decrease) in Cash and Cash Equivalents	106,523.06	637.64	107,160.70
Cash and Cash Equivalents at Beginning of Year	18,159.76	712.24	18,872.00
CASH AND CASH EQUIVALENTS AT END OF YEAR	124,682.82	1,349.88	126,032.70
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	(334,657.83)	(50,025.23)	(384,683.06)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	4,074.78		4,074.78
Value of Donated Commodities Used	29,897.98		29,897.98
(Increase) decrease in Inventories	(1,149.81)		(1,149.81)
(Decrease) increase in Accounts and Other Payables	1,380.00	(12,002.41)	(10,622.41)
(Decrease) increase in Accrued Wages Payable	(1,333.94)	9,663.47	8,329.53
(Decrease) increase in Unearned Revenue	(978.73)		(978.73)
Net Cash Provided (Used) by Operating Activities	(302,767.55)	(52,364.17)	(355,131.72)
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	25,047.55		25,047.55

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

BON HOMME SCHOOL DISTRICT NO. 4-2
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
As of June 30, 2022

	<u>Private-Purpose Trust Funds</u>	<u>Custodial Funds</u>
ASSETS:		
Cash and Cash Equivalents	516.87	111,446.31
Investments	<u>79,088.70</u>	<u> </u>
TOTAL ASSETS	<u><u>79,605.57</u></u>	<u><u>111,446.31</u></u>
NET POSITION:		
Restricted for:		
Organizations		111,446.31
Held in Trust for Scholarships	<u>79,605.57</u>	<u> </u>
TOTAL NET POSITION	<u><u>79,605.57</u></u>	<u><u>111,446.31</u></u>

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

BON HOMME SCHOOL DISTRICT NO. 4-2
STATEMENT OF CHANGES IN NET POSITON
FIDUCIARY FUNDS
For the Year Ended June 30, 2022

	<u>Private-Purpose Trust Funds</u>	<u>Custodial Funds</u>
ADDITIONS:		
Contributions and Donations	12,420.00	
Net Investment Earnings	(8,999.57)	
Collections for Student Activities		143,941.77
Other Additions		27,940.54
Total Additions	<u>3,420.43</u>	<u>171,882.31</u>
DEDUCTIONS:		
Trust Deductions for Scholarships	12,300.00	
Payments for Student Activities		134,237.41
Other Deductions		25,479.79
Miscellaneous - Unexplained Variance	10,501.16	(416.98)
Total Deductions	<u>22,801.16</u>	<u>159,300.22</u>
Change in Net Position	<u>(19,380.73)</u>	<u>12,582.09</u>
Net Position - Beginning	<u>98,986.30</u>	<u>98,864.22</u>
NET POSITON - ENDING	<u><u>79,605.57</u></u>	<u><u>111,446.31</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of Bon Homme School District No. 4-2 (School District) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds, may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The School District participates in a cooperative service unit with several other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the School District.

b. Basis of Presentation:

Government-wide Financial Statements:

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

The Statement of Net Position reports all financial and capital resources, in a net position form (assets and deferred outflows of resources minus liabilities and deferred inflows of resources 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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized 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 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 grants and 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 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 of an auditorium, coliseum, public gymnasium, or public community house and for the acquisition of sites and equipment therefore. This is a major fund.

Proprietary Funds:

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

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)

- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Food Service Fund – A fund 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 Preschool/Driver's Education is an enterprise fund maintained by the School District. This fund is financed by user charges. This is a major fund.

Internal Service Fund Types – are used to report activities that provide goods or services to other funds, departments, or agencies of the School District and its component units, or to other governments, on a cost-reimbursement basis. Internal Service Funds are never considered to be major funds.

The Unemployment Fund is the only Internal Service Fund maintained by the School District.

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 governments.

The School District maintains the following private-purpose trust funds:

Scholarship trusts – trusts established by donors to provide for college scholarships to graduating students.

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

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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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 similar trust 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 all the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Bon Homme School District No. 4-2, the length of that cycle is 60 days. The revenues, which are accrued at June 30, 2022, are grants from other governments and gross receipts taxes.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses" including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the Unemployment Internal Service Fund, so that expenses are reported only in the function to which they relate.

e. Deposits and Investments:

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

Investments classified in the financial statements consist entirely of those types of investments authorized by South Dakota Codified Law (SDCL) 4-5-6.

f. 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 Statements

All capital assets are valued at historical cost. Donated capital assets are valued at their estimated acquisition value on the date donated.

Interest costs incurred during the construction of general capital assets are not capitalized along with other capital asset costs.

Depreciation/amortization of all exhaustible capital and intangible 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/amortization methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Land	\$ 0.00	-----N/A-----	-----N/A-----
Improvements	\$ 10,000.00	Straight-line	25-100 yrs.
Buildings	\$ 50,000.00	Straight-line	25-100 yrs.
Machinery & Equipment	\$ 5,000.00	Straight-line	10-50 yrs.
Food Service Equipment	\$ 1,000.00	Straight-line	10-35 yrs.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Land is an inexhaustible capital asset and is not depreciated. Intangible leased assets do not have a capitalization threshold, but the District's policy is to amortize over the life of the lease.

Fund Financial Statements

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

g. Leases:

The School District is a lessee for a noncancellable lease of office space and copiers. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities that are deemed material.

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

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

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

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

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

h. 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 statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of compensated absences, early retirement benefits payable, capital outlay certificates payable, right-to-use lease payable and energy-efficiency loan payable.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

i. 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, applications, 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.

j. Deferred Inflows and Deferred Outflows of Resources:

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

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

k. 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, non-capital financing activities, or investing activities are not reported as components of operating revenues and expenses.

l. Cash and Cash Equivalents:

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

m. Equity Classifications:

Government-wide Statements:

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation/amortization (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 its use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

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

n. 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 is available.

o. 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.
- 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 or committed. Fund Balance may be assigned by the Business Manager.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

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

Major Special Revenue Fund:

Capital Outlay Fund
Special Education Fund
Auditorium Building Fund

Revenue Source:

Real Estate Taxes and Grants
Real Estate Taxes
Cocurricular Admissions

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

p. Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and addition 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.

2. IMPLEMENTATION OF NEW ACCOUNTING STANDARD

In 2022, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases accounting standard. This statement improves guidance regarding the identification of leases for accounting and the financial reporting purposes and how those activities should be reported.

3. DEFICIT FUND BALANCES/NET POSITION OF INDIVIDUAL FUNDS

As of June 30, 2022, the following individual funds had deficit fund balances/net position in the amounts shown:

Preschool/Driver's Education	(\$ 12,129.66)
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The Governing Board plans to take the following actions to address these violations: use impact aid funds when available.

4. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized as follows:

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

Investments – In general, SDCL 4-5-6 permits school district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Fair Value Measurement – The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

The School District has the following recurring fair value measurements as of June 30, 2022:

- Taxable Bond Mutual Funds comprised mostly of high-quality government securities valued at \$203,144.58 using quoted market prices (Level 1 inputs).

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

As of June 30, 2022, the School District had the following investments:

<u>Investment:</u>	<u>Credit Rating</u>	<u>Fair Value</u>
Mutual Funds:		
MainStay Taxable Bond Funds		
MainStay Government Fund		
General Fund - Impact Aid	N/A	124,055.88
Flevaras Scholarship Fund	N/A	55,039.16
Maus Scholarship Fund	N/A	24,049.54
Total Investments		<u>203,144.58</u>

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk.

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from deposits and investments to the fund making the investment.

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.

6. INVENTORY

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

In the Government-wide 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 fund financial statements, inventories in the General Fund, special revenue funds, and proprietary funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. No material inventories were on hand at June 30, 2022 in the General Fund and special revenue funds.

7. PROPERTY TAXES

Property taxes are levied on or before each October 1, attach as an enforceable lien on property 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.

8. CHANGES IN CAPITAL ASSETS

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

	Balance 07/01/2021	Increases	Decreases	Balance 06/30/2022
Primary Government:				
Governmental Activities:				
Capital Assets, not being depreciated/amortized:				
Land	37,671.00			37,671.00
Total, not being depreciated/amortized	37,671.00	0.00	0.00	37,671.00
Capital Assets, being depreciated/amortized:				
Improvements	887,718.44			887,718.44
Buildings	9,503,981.53	18,105.08		9,522,086.61
Machinery & Equipment	787,545.46	29,500.00	(10,223.87)	806,821.59
Intangible Lease Asset	0.00	174,318.00		174,318.00
Total, being depreciated/amortized	11,179,245.43	221,923.08	(10,223.87)	11,390,944.64
Less Accumulated Depreciation/Amortization for:				
Improvements	(566,990.47)	(63,983.92)		(630,974.39)
Buildings	(3,446,368.21)	(442,712.79)		(3,889,081.00)
Machinery & Equipment	(426,364.22)	(63,444.69)	8,945.86	(480,863.05)
Intangible Lease Asset	0.00	(30,112.00)		(30,112.00)
Total Accumulated Depreciation/Amortization	(4,439,722.90)	(600,253.40)	8,945.86	(5,031,030.44)
Total Capital Assets, being depr./amort., net	6,739,522.53	(378,330.32)	(1,278.01)	6,359,914.20
Governmental Activity Capital Assets, Net	6,777,193.53	(378,330.32)	(1,278.01)	6,397,585.20

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Depreciation/amortization expense was charged to functions as follows:

Governmental Activities:

Instruction	35,236.53
Support Services	510,332.61
Co-curricular Activities	54,684.26
Total Depreciation/Amortization Expense - Governmental Activities	<u>600,253.40</u>

	Balance 07/01/2021	Increases	Decreases	Balance 06/30/2022
Business-Type Activities:				
Capital Assets, being depreciated:				
Machinery & Equipment	124,542.37		(1,210.00)	123,332.37
Less Accumulated Depreciation for:				
Machinery & Equipment	(82,160.64)	(4,074.78)	1,210.00	(85,025.42)
Total Capital Assets, being depreciated, net	42,381.73	(4,074.78)	0.00	38,306.95
Business-Type Activity Capital Assets, Net	<u>42,381.73</u>	<u>(4,074.78)</u>	<u>0.00</u>	<u>38,306.95</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:

Food Services	4,074.78
Total Depreciation Expense - Business-Type Activities	<u>4,074.78</u>

9. LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Right-to-Use Lease Payable:					
Access Copier Lease Payable	0.00	174,318.00	(30,112.00)	144,206.00	30,970.00
Bonds Payable:					
Limited Tax G. O. Capital Outlay					
Certificates - Series 2017	1,765,000.00		(280,000.00)	1,485,000.00	285,000.00
Energy Efficiency Conservation					
Block Grant Loan Agreement	140,184.27		(21,360.00)	118,824.27	21,360.00
Total Debt	<u>1,905,184.27</u>	<u>174,318.00</u>	<u>(331,472.00)</u>	<u>1,748,030.27</u>	<u>337,330.00</u>
Early Retirement Payable	85,463.57	8,242.76	(40,691.56)	53,014.77	34,051.68
Accrued Compensated Absences	51,476.99	17,466.41	(16,589.62)	52,353.78	20,000.00
Total Governmental Activities	<u>2,042,124.83</u>	<u>200,027.17</u>	<u>(388,753.18)</u>	<u>1,853,398.82</u>	<u>391,381.68</u>

Compensated absences for governmental activities typically have been liquidated from the General Fund.
Early Retirement Benefits payable for governmental activities typically have been liquidated from the General Fund.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Long-term liabilities payable at June 30, 2022, is comprised of the following:

PRIMARY GOVERNMENT
Governmental Activities:

Limited Tax General Obligation Capital Outlay Certificates, Series 2017	\$1,485,000.00
Maturity Dates from 2017 to 2027	
Fixed Interest Rates of 2.00 to 2.25%;	
Paid by Capital Outlay Fund	

Energy Efficiency Conservation Block Grant	
Loan Agreement:	\$ 118,824.27
Maturity Date: July 31, 2027	
Interest Rate: 0.00%	
Paid by Capital Outlay Fund	

GLTD Compensated Absences:	
The liability for compensated absences represent vacation	\$ 52,353.78
and sick leave benefits earned as of June 30, 2022.	
Paid by the General Fund	

Right-to-Use Lease Payable – Access Copiers	\$ 144,206.00
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The School District entered into a right-to-use agreement for copiers with Access Systems. The lease is non-cancelable and in the event of default a) equipment may need to be returned at the District's expense and pay 1) all past due amounts with added 1.5% interest and 2) all remaining payments for the unexpired term, plus booked residual both discounted at 2% annum.

Early Retirement Benefits Payable:	
This liability for early retirement represents four retirement	\$ 53,014.77
payoff agreements with former employees.	
Paid by the General Fund	

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

Year Ending June 30,	Limited Tax General Obligation Capital Outlay Certificates - Series 2017		Energy Efficiency Conservation Block Grant Loan Agreement		Early Retirement Benefits Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	285,000.00	27,625.00	21,360.00		34,051.68	
2024	290,000.00	21,875.00	21,360.00		14,015.86	
2025	295,000.00	16,025.00	21,360.00		4,947.23	
2026	305,000.00	10,025.00	21,360.00			
2027	310,000.00	3,487.50	33,384.27			
Totals	<u>1,485,000.00</u>	<u>79,037.50</u>	<u>118,824.27</u>	<u>0.00</u>	<u>53,014.77</u>	<u>0.00</u>

Year Ending June 30,	Access Copier Lease Payable		Totals	
	Principal	Interest	Principal	Interest
2023	30,970.00	7,154.00	371,381.68	34,779.00
2024	32,717.00	5,407.00	358,092.86	27,282.00
2025	34,562.00	3,562.00	355,869.23	19,587.00
2026	36,512.00	1,612.00	362,872.00	11,637.00
2027	9,445.00	86.00	352,829.27	3,573.50
Totals	<u>144,206.00</u>	<u>17,821.00</u>	<u>1,801,045.04</u>	<u>96,858.50</u>

10. RESTRICTED NET POSITION

The following table shows the net position restricted for other purposes as shown on the Statement of Net Position:

FUND	Restricted By:	Amount
Major Funds:		
Capital Outlay	Law	\$ 1,201,904.69
Special Education	Law	525,212.68
Auditorium Building	Law	4,023.98
SDRS Pension	Governmental Accounting Standards	475,869.60
Total Restricted Net Position		<u>\$ 2,207,010.95</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

11. INTERFUND TRANSFERS

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

<u>Transfers From:</u>	<u>Transfers To:</u>		<u>Total</u>
	<u>General Fund</u>	<u>Preschool/Driver's Education Fund</u>	
Major Funds:			
General Fund		32,000.00	32,000.00
Capital Outlay Fund	400,000.00		400,000.00
TOTALS	<u>400,000.00</u>	<u>32,000.00</u>	<u>432,000.00</u>

The School District typically uses transfers to conduct indispensable functions of the School District.

12. PENSION PLAN

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.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

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 safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits 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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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.

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2022, 2021, and 2020 were \$198,750.20, \$188,402.95, and \$184,198.52, respectively, equal to the required contributions each year.

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

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

Proportionate share of pension liability	\$ 19,281,742.40
Less proportionate share of net pension restricted for pension benefits	<u>\$ 20,346,658.05</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (1,064,915.65)</u></u>

At June 30, 2022, the School District reported a liability (asset) of \$(1,064,915.65) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the School District's proportion was 0.13905400%, which is an increase (decrease) of (0.0008180%) from its proportion measured as of June 30, 2020.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

For the year ended June 30, 2022, the School District recognized pension expense (reduction of pension expense) of \$(288,513.23). At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 38,233.25	\$ 2,791.98
Changes in assumption.	\$ 1,224,642.16	\$ 533,294.38
Net Difference between projected and actual earnings on pension plan investments.		\$ 1,521,253.32
Changes in proportion and difference between School district contributions and proportionate share of contributions.	\$ 9,574.31	\$ 2,906.29
School District contributions subsequent to the measurement date.	<u>\$ 198,750.20</u>	
TOTAL	<u>\$ 1,471,199.92</u>	<u>\$ 2,060,245.97</u>

\$198,750.20 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended	
June 30:	
2023	\$ (193,718.45)
2024	\$ (129,749.32)
2025	\$ (36,367.18)
2026	<u>\$ (427,961.30)</u>
TOTAL	<u>\$ (787,796.25)</u>

Actuarial Assumptions:

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

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%
Total	<u>100%</u>	

Discount Rate:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$1,724,363.39	\$(1,064,915.65)	\$(3,329,160.95)

Pension Plan Fiduciary Net Position:

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

13. JOINT VENTURES

The School District participates in the South Central Cooperative, a cooperative service unit (co-op) formed for the purpose of providing equal educational opportunity services to member school districts.

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

Andes Central School District No. 11-1	12.18%
Avon School District No. 4-1	9.38%
Bon Homme School District No. 4-2	17.64%
Menno School District No. 33-2	10.47%
Scotland School District No. 4-3	10.53%
South Central School District No. 26-5	4.08%
Tripp-Delmont School District No. 33-5	6.82%
Wagner School District No. 11-4	28.90%

The co-op's governing board is composed of two representatives from each member school district, who are the Superintendent of the school, who serves on an advisory board and one School Board Member who serves on the governing board. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget.

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

Separate financial statements for this joint venture are available from South Central Cooperative.

At June 30, 2022, this joint venture had total assets and deferred outflows of resources of \$1,157,600.24, total liabilities and deferred inflows of resources of \$216,305.81 and net position of \$941,294.43.

14. RISK MANAGEMENT

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Employee Health Insurance:

The School District purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

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

Worker's Compensation:

The School District purchases liability insurance for worker's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

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

During the year ended June 30, 2022, no claims were filed for unemployment benefits. At June 30, 2022 no claims had been filed and were outstanding. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

15. SIGNIFICANT CONTINGENCIES – LITIGATION

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

16. VOLUNTARY SEPARATION/EARLY RETIREMENT

When a superintendent is approved for the voluntary separation benefit, the person will become eligible to receive remuneration equal to \$1,000 per year times the number of years of qualified service in the School District up to a maximum of 30 years.

Any certified employee, who is at least 60 years and has worked in the School District 20 years, will become eligible to receive remuneration equal to 2.75 percent of their current contracted salary times the number of years of qualified service in the School District up to a maximum of 30 years. Certified employees hired before July 1, 2012 will be grandfathered for voluntary separation at 55 years and 15 years with the School District.

Any classified employee in the School District will qualify for 100 percent of the present year's salary which will be paid to the employee as the Voluntary Separation Severance Pay benefit, when they reach 60 years of age and have at least 20 years with the School District. Classified employees hired before July 1, 2012 will be grandfathered for voluntary separation when they reach 55 years with the School District.

There are two options for payment of the Voluntary Separation Severance Pay benefit as follows: 1) Paid in four, five, or six payments over a two- or three-year period as selected by the employee on the form provided by the School District. Payments will be made only on July 15 and January 15; or 2) Paid on a monthly basis with health and/or AFLAC insurance premiums being deducted from the payment. The employee must have signed up during the annual enrollment for the Cafeteria – Flex 125 Plan which begins January 1 each year. The employee needs to enroll each year thereafter during the enrollment period. The

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

monthly payment will be based on \$50 increments over the monthly insurance premium totals until all Severance Pay money is used up or the employee reaches the age of full social security benefits. A yearly worksheet will be provided to each employee on this plan. All payments made under the plan will be subject to Social Security, Medicare and Federal Withholding Taxes.

17. RELATED ORGANIZATION

The Bon Homme No. 4-2 Educational Public School Foundation was incorporated May 4, 2006 to promote the further educational development of the Bon Homme School District No. 4-2 students, staff, and graduates. The organization is a nonprofit corporation governed by nine trustees of which none are appointed by the School District.

The School District does not control it since it takes a 2/3 vote of the trustees to delete an officer or trustee and the School District does not approve the organization's financial decisions.

18. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through April 27, 2023, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION
BON HOMME SCHOOL DISTRICT NO. 4-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	1,281,443.00	1,281,443.00	1,068,337.63	(213,105.37)
Prior Years' Ad Valorem Taxes	5,100.00	5,100.00	14,252.51	9,152.51
Utility Taxes	166,780.00	166,780.00	161,160.41	(5,619.59)
Penalties and Interest on Taxes	4,450.00	4,450.00	3,935.71	(514.29)
Revenue from Local Governmental Units Other Than School Districts:				
Revenue in Lieu of Taxes	1,000.00	1,000.00	1,699.76	699.76
Earnings on Investments and Deposits	200.00	200.00	305.42	105.42
Cocurricular Activities:				
Admissions	19,500.00	19,500.00	21,194.69	1,694.69
Rentals	200.00	200.00	366.00	166.00
Other Student Activity Income	6,500.00	6,500.00	5,603.40	(896.60)
Other Revenue from Local Sources:				
Rentals	300.00	300.00	0.00	(300.00)
Contributions and Donations	14,600.00	14,600.00	16,592.00	1,992.00
Charges for Services	10,500.00	10,500.00	8,216.30	(2,283.70)
Other	32,600.00	32,600.00	22,516.40	(10,083.60)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	17,500.00	17,500.00	14,207.80	(3,292.20)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	2,302,211.00	2,302,211.00	2,295,726.40	(6,484.60)
Other State Revenue	500.00	500.00	100.00	(400.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received from Federal Government Through the State	500.00	500.00	0.00	(500.00)
Restricted Grants-in-Aid Received Directly from Federal Government	12,520.00	12,520.00	0.00	(12,520.00)
Restricted Grants-in-Aid Received from Federal Government Through the State	566,227.00	566,227.00	603,539.33	37,312.33
Revenue in Lieu of Taxes (PILT)	500.00	500.00	0.00	(500.00)
Total Revenue	4,443,131.00	4,443,131.00	4,237,753.76	(205,377.24)
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	1,526,689.22	1,526,689.22	1,525,234.81	1,454.41
Middle School	320,490.70	320,490.70	350,066.43	(29,575.73)
High School	650,851.97	650,851.97	640,611.45	10,240.52
Special Programs:				
Culturally Different	2,836.50	2,836.50	0.00	2,836.50
Educationally Deprived	189,943.10	189,943.10	161,295.56	28,647.54

REQUIRED SUPPLEMENTARY INFORMATION
BON HOMME SCHOOL DISTRICT NO. 4-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Expenditures (Continued):				
Support Services:				
Students:				
Guidance	119,258.89	119,258.89	118,432.57	826.32
Health	12,400.00	12,400.00	1,237.69	11,162.31
Instructional Staff:				
Improvement of Instruction	44,402.00	44,402.00	40,324.42	4,077.58
Educational Media	159,664.95	159,664.95	142,093.77	17,571.18
General Administration:				
Board of Education	62,880.00	62,880.00	51,121.72	11,758.28
Executive Administration	141,331.07	141,331.07	140,862.10	468.97
School Administration:				
Office of the Principal	351,650.35	351,650.35	346,200.10	5,450.25
Title I Program Administration	30,505.00	30,505.00	12,607.93	17,897.07
Other	800.00	800.00	771.54	28.46
Business:				
Fiscal Services	121,799.85	121,799.85	113,697.11	8,102.74
Operation and Maintenance of Plant	759,049.30	759,049.30	699,477.29	59,572.01
Student Transportation Services	232,500.00	232,500.00	245,873.91	(13,373.91)
Food Services	19,000.00	19,000.00	17,649.62	1,350.38
Central:				
Information	1,000.00	1,000.00	0.00	1,000.00
Staff	3,500.00	3,500.00	5,163.27	(1,663.27)
Nonprogrammed Charges:				
Early Retirement Payments	40,691.70	40,691.70	40,691.54	0.16
Miscellaneous - Unexplained Variance	0.00	0.00	27,990.54	(27,990.54)
Cocurricular Activities:				
Male Activities	97,564.89	97,564.89	91,037.77	6,527.12
Female Activities	84,192.84	84,192.84	74,630.97	9,561.87
Transportation	55,000.00	55,000.00	48,599.11	6,400.89
Combined Activities	72,060.28	72,060.28	65,081.91	6,978.37
Total Expenditures	5,100,062.61	5,100,062.61	4,960,753.13	139,309.48
Excess of Revenue Over (Under)				
Expenditures	(656,931.61)	(656,931.61)	(722,999.37)	(66,067.76)
Other Financing Sources (Uses):				
Transfers In	569,431.61	569,431.61	930,000.00	360,568.39
Sale of Surplus Property	500.00	500.00	351.68	(148.32)
Total Other Financing Sources (Uses)	569,931.61	569,931.61	930,351.68	368,885.07
Net Change in Fund Balances	(87,000.00)	(87,000.00)	207,352.31	294,352.31
Fund Balance - Beginning	(89,594.51)	(89,594.51)	(89,594.51)	0.00
FUND BALANCE - ENDING	(176,594.51)	(176,594.51)	117,757.80	294,352.31

REQUIRED SUPPLEMENTARY INFORMATION
BON HOMME SCHOOL DISTRICT NO. 4-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	1,245,000.00	1,245,000.00	1,315,294.18	70,294.18
Prior Years' Ad Valorem Taxes	3,500.00	3,500.00	8,279.76	4,779.76
Tax Deed Revenue	100.00	100.00	0.00	(100.00)
Penalties and Interest on Taxes	1,000.00	1,000.00	1,660.15	660.15
Revenue from Local Governmental				
Units Other Than School Districts:				
Earnings on Investments and Deposits	3,000.00	3,000.00	2,686.84	(313.16)
Other Revenue from Local Sources:				
Contributions and Donations	25,000.00	25,000.00	264,500.00	239,500.00
Other	2,000.00	2,000.00	0.00	(2,000.00)
Revenue from Intermediate Sources:				
Revenue in Lieu of Taxes	300.00	300.00	0.00	(300.00)
Other	100.00	100.00	0.00	(100.00)
Revenue from Federal Sources:				
Unrestricted Grants-in-Aid Received				
from Federal Government				
Through the State	100,000.00	100,000.00	0.00	(100,000.00)
Restricted Grants-in-Aid Received				
from Federal Government				
Through the State	16,000.00	16,000.00	31,517.15	15,517.15
Total Revenue	1,396,000.00	1,396,000.00	1,623,938.08	227,938.08
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	107,100.00	107,100.00	72,127.84	34,972.16
Middle/Junior High	137,600.00	137,600.00	36,444.95	101,155.05
High School	125,000.00	125,000.00	99,425.99	25,574.01
Support Services:				
Instructional Staff:				
Educational Media	15,300.00	15,300.00	15,242.76	57.24
General Administration:				
Executive Administration	2,500.00	2,500.00	8,321.37	(5,821.37)
School Administration:				
Office of the Principal	13,100.00	13,100.00	31,203.71	(18,103.71)
Business:				
Fiscal Services	9,200.00	9,200.00	7,811.21	1,388.79
Facilities Acquisition and Construction	5,000.00	5,000.00	10,154.44	(5,154.44)
Operation and Maintenance of Plant	324,000.00	324,000.00	249,256.35	74,743.65
Non Programmed Charges:				
Miscellaneous - Unexplained Variances	0.00	0.00	(3,211.52)	3,211.52
Debt Services	344,660.00	344,660.00	373,963.32	(29,303.32)

REQUIRED SUPPLEMENTARY INFORMATION
BON HOMME SCHOOL DISTRICT NO. 4-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (Cont):				
Cocurricular Activities:				
Male Activities	12,300.00	12,300.00	7,087.97	5,212.03
Female Activities	8,800.00	8,800.00	2,517.92	6,282.08
Combined Activities	8,000.00	8,000.00	17,338.04	(9,338.04)
Total Expenditures	1,112,560.00	1,112,560.00	927,684.35	184,875.65
Excess of Revenue Over (Under)				
Expenditures	283,440.00	283,440.00	696,253.73	412,813.73
Other Financing Sources (Uses):				
Transfers Out	(400,000.00)	(400,000.00)	(400,000.00)	0.00
Proceeds of General Long-Term Liabilities	0.00	0.00	174,318.00	174,318.00
Sale of Surplus Property	200.00	200.00	0.00	(200.00)
Total Other Financing Sources (Uses)	(399,800.00)	(399,800.00)	(225,682.00)	174,118.00
Net Change in Fund Balances	(116,360.00)	(116,360.00)	470,571.73	586,931.73
Fund Balance - Beginning	714,383.28	714,383.28	714,383.28	0.00
FUND BALANCE - ENDING	598,023.28	598,023.28	1,184,955.01	586,931.73

REQUIRED SUPPLEMENTARY INFORMATION
BON HOMME SCHOOL DISTRICT NO. 4-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	815,700.00	815,700.00	792,516.70	(23,183.30)
Prior Years' Ad Valorem Taxes	2,000.00	2,000.00	5,229.69	3,229.69
Tax Deed Revenue	100.00	100.00	0.00	(100.00)
Penalties and Interest on Taxes	800.00	800.00	1,034.44	234.44
Earnings on Investments and Deposits	100.00	100.00	1,711.25	1,611.25
Other Revenue from Local Sources:				
Charges for Services	1,900.00	1,900.00	1,659.00	(241.00)
Total Revenue	820,600.00	820,600.00	802,151.08	(18,448.92)
Expenditures:				
Instruction:				
Special Programs:				
Programs for Special Education	427,210.20	427,210.20	476,165.30	(48,955.10)
Support Services:				
Students:				
Psychological	33,438.00	33,438.00	33,438.00	0.00
Speech Pathology	46,813.00	46,813.00	46,813.00	0.00
Student Therapy Services	21,063.00	21,063.00	20,062.00	1,001.00
Instructional Staff:				
Improvement of Instruction	4,095.00	4,095.00	43.06	4,051.94
General Administration:				
Board of Education	1,000.00	1,000.00	0.00	1,000.00
Special Education:				
Administrative Costs	75,937.37	75,937.37	62,163.71	13,773.66
Transportation Costs	5,000.00	5,000.00	636.00	4,364.00
Other Special Education Costs	72,400.00	72,400.00	76,119.55	(3,719.55)
Nonprogrammed Charges:				
Miscellaneous - Unexplained Variance	0.00	0.00	(20,424.58)	20,424.58
Total Expenditures	686,956.57	686,956.57	695,016.04	(8,059.47)
Net Change in Fund Balances	133,643.43	133,643.43	107,135.04	(26,508.39)
Fund Balance - Beginning	407,819.64	407,819.64	407,819.64	0.00
FUND BALANCE - ENDING	541,463.07	541,463.07	514,954.68	(26,508.39)

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.

Note 1. Budgets and Budgetary Accounting:

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

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

12. The following reconciles the USGAAP Basis fund balance to the Budgetary Basis fund balance:

	<u>Year Ended 6/30/2022</u>
General Fund:	
USGAAP Basis Fund Balance	\$ 832,688.73
(Deduct) Impact Aid Net Revenue/Expen	(276,172.72)
Impact Aid Beginning Balance	(1,000,758.21)
Impact Aid Transfer Out	<u>562,000.00</u>
Net Adjustment to GAAP Basis	
Fund Balance	<u>(714,930.93)</u>
Budgetary Basis Fund Balance	<u><u>\$ 117,757.80</u></u>

Note 2. GAAP/Budgetary Accounting Basis Differences

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

REQUIRED SUPPLEMENTARY INFORMATIONSCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

Last Eight Fiscal Years *

	District's proportion of the net pension liability/asset	District's proportionate share of net pension liability (asset)	District's covered- employee payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2022	0.1390540%	\$ (1,064,916)	\$ 3,140,039	33.91%	105.52%
2021	0.1398720%	\$ (6,075)	\$ 3,069,970	0.20%	100.04%
2020	0.1459216%	\$ (15,464)	\$ 3,102,584	0.50%	100.09%
2019	0.1477341%	\$ (3,446)	\$ 3,071,243	0.11%	100.02%
2018	0.1418713%	\$ (12,875)	\$ 2,882,529	0.45%	100.10%
2017	0.1445930%	\$ 488,421	\$ 2,756,930	17.72%	96.89%
2016	0.1508257%	\$ (639,695)	\$ 2,754,425	23.22%	104.10%
2015	0.1547543%	\$ (1,114,941)	\$ 2,706,455	41.20%	107.30%

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS

South Dakota Retirement System

* Last Eight Fiscal Years

	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2022	\$ 198,750	\$ 198,750	\$ -	\$ 3,312,492	6.00%
2021	\$ 188,403	\$ 188,403	\$ -	\$ 3,140,039	6.00%
2020	\$ 184,199	\$ 184,199	\$ -	\$ 3,069,970	6.00%
2019	\$ 186,156	\$ 186,156	\$ -	\$ 3,102,584	6.00%
2018	\$ 184,275	\$ 184,275	\$ -	\$ 3,071,243	6.00%
2017	\$ 172,952	\$ 172,952	\$ -	\$ 2,882,529	6.00%
2016	\$ 164,966	\$ 164,966	\$ -	\$ 2,756,930	5.98%
2015	\$ 165,219	\$ 165,219	\$ -	\$ 2,754,425	6.00%

* Until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

**Notes to Required Supplementary Information
for the Year Ended June 30, 2022**

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

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

Actuarial Method Changes

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

BON HOMME DISTRICT NO. 4-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Award Identification Number	Federal Assistance Listing Number	Expenditures FY 2022
US Department of Agriculture:			
Pass-Through the SD Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program (Note 4)	20223SD310N1099	10.555	29,897.98
Cash Assistance:			
School Breakfast Program (Note 3) (Note 4)	20223SD310N1099	10.553	87,513.65
National School Lunch Program (Note 3) (Note 4)	20223SD310N1099	10.555	286,405.04
Special Milk Program for Children (Note 3) (Note 4)	20223SD310N1099	10.556	244.77
Fresh Fruit and Vegetable Program (Note 4)	20223SD310N1099	10.582	16,947.90
Total for Child Nutrition Cluster			421,009.34
Total US Department of Agriculture			421,009.34
US Department of Education:			
Direct Federal Funding:			
Impact Aid (Title VIII of ESEA)		84.041	562,000.00
Indirect Federal Funding:			
Pass-Through the SD Department of Education:			
Title I Grants to Local Educational Agencies	S010A210041	84.010	121,297.00
Supporting Effective Instruction State Grants	S367A210039	84.367	40,326.00
Student Support and Academic Enrichment Program	S424A210043	84.424A	14,879.00
Elementary and Secondary School Emergency Relief Fund (Note 4)		84.425D	263,309.48
American Rescue Plan Elem. and Sec. School Emergency Relief (Note 4)		84.425U	178,297.10
Total US Department of Education			1,180,108.58
GRAND TOTAL			1,601,117.92

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, 2022. 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 not 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.

Note 4: Major Federal Financial Assistance Program

This represents a Major Federal Financial Assistance Program.