

HOVEN SCHOOL DISTRICT NO. 53-2
HOVEN, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE TWO YEARS ENDING JUNE 30, 2022
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA
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HOVEN, SOUTH DAKOTA
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FOR THE TWO YEARS ENDING JUNE 30, 2022

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NOTE: All figures shown in this financial report are in U.S. dollars.
For space considerations, the "\$" symbol is not used.

INDEPENDENT AUDIT SERVICES, PC

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School Board
Hoven School District No. 53-2
Hoven, South Dakota

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions:

I have audited the accompanying financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Hoven School District No. 53-2 (School District), Hoven, South Dakota as of June 30, 2022, and for each of the fiscal years in the biennial period 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 my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities, each major fund, and the remaining fund information of the Hoven School District No. 53-2 as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for each of the fiscal years in the biennial period then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions:

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

Management's Responsibilities for the Financial Statements:

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 misstatements, whether due to fraud or error.

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

Auditor's Responsibility for the Audit of the Financial Statements:

My 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 my opinions.

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 (GAAS) and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

I am 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 I identified during the audit.

Required Supplementary Information (no opinion):

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules (page 36 to 42), the School District's Proportionate Share of Net Pension (Asset)/Liability (page 43), and the Schedule of the School District's Contribution (page 43) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

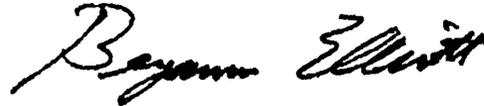
The School District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements,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

Other Reporting Required by Government Auditing Standards:

In accordance with *Government Auditing Standards*, I have also issued my report dated October 25, 2023 (page 45) on my consideration of the School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

October 25, 2023



STATEMENT OF NET POSITION
AS OF JUNE 30, 2022

	Primary Government		Total
	Governmental Activities	Business- Type Activities	
ASSETS			
Current assets:			
Cash and cash equivalent	2,381,437	31,469	2,412,906
Receivables:			
Property taxes - current	796,107		796,107
Property taxes -prior	8,096		8,096
Due from governments - gross receipts	61,835		61,835
Due from governments - other	15,189		15,189
Inventory	0	7,903	7,903
Total current assets	3,262,664	39,372	3,302,036
Capital assets:			
Land	14,105		14,105
Buildings	6,761,680		6,761,680
Improvements	31,755		31,755
Equipment	416,591	60,520	477,111
Equipment - federal	52,636	11,417	64,053
Accumulated depreciation	-1,541,086	-41,163	-1,582,249
Total capital assets	5,735,681	30,774	5,766,455
Other assets:			
Net pension assets	495,811	21,683	517,494
Total assets	9,494,156	91,829	9,585,985
DEFERRED OUTFLOW OF RESOURCES			
Pension related deferred outflows	665,733	29,110	694,843
	665,733	29,110	694,843
LIABILITIES			
Current liabilities:			
Accounts payable	3,234		3,234
Contracts payable	149,534		149,534
Payroll deductions payable	21,506		21,506
Deposit payable	1,650		1,650
Revenue received in advance	0	6,884	6,884
Noncurrent liabilities due in one year:			
Accrued leave -sick	3,843		3,843
Total current liabilities	179,767	6,884	186,651
Noncurrent liabilities:			
None	0		0
Total noncurrent liabilities	0	0	0
Total liabilities	179,767	6,884	186,651
DEFERRED INFLOW OF RESOURCES			
Taxes levied for a future period	796,107		796,107
Pension related deferred inflows	957,870	41,890	999,760
Total deferred inflow of resources	1,753,977	41,890	1,795,867
NET POSITION			
Net invested in capital assets	5,735,681	30,774	5,766,455
Restricted for:			
Capital outlay	695,041		695,041
Special education	302,273		302,273
Pension - SDRS	203,674	8,903	212,577
Unrestricted	1,289,476	32,488	1,321,964
Total net position	8,226,145	72,165	8,298,310

See accompanying notes.

HOVEN SCHOOL DISTRICT No. 53-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING JUNE 30, 2022

Functions/Programs:	Program Revenues			Net Revenue (Expense) and Changes in Net Position			
	Expenses	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government:							
Governmental activities:							
Instruction	1,240,698		153,254		-1,087,444		-1,087,444
Support services	848,175	5,277	145,507		-697,391		-697,391
Cocurricular activities	86,438	5,718			-80,720		-80,720
Total governmental activities	2,175,311	10,995	298,761	0	-1,865,555	0	-1,865,555
Business-type activities:							
Food service	111,111	8,629	73,589			-28,893	-28,893
After school program	133	3,576				3,443	3,443
Total primary government	2,286,555	23,200	372,350	0	-1,865,555	-25,450	-1,891,005
General revenue:							
Property taxes					1,852,365		1,852,365
Gross receipts tax					61,684		61,684
Revenue from state sources:							
State aid					118,536		118,536
Other					68,243		68,243
Revenue from county sources					12,696		12,696
Interest earnings					9,863	149	10,012
Other general revenues					15,083		15,083
Compensation for damaged property					40,946		40,946
Transfers					-32,417	32,417	0
Total general revenue and transfers					2,146,999	32,566	2,179,565
Change in net position					281,444	7,116	288,560
Net position, July 1, 2021					7,944,701	65,049	8,009,750
Net position, June 30, 2022					8,226,145	72,165	8,298,310

See accompanying notes.

HOVEN SCHOOL DISTRICT No. 53-2

BALANCE SHEET -- GOVERNMENTAL FUNDS
AS OF JUNE 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	1,363,211	693,737	324,489	2,381,437
Receivables:				
Property taxes - current	504,809	148,361	142,937	796,107
Property taxes - delinquent	5,480	1,304	1,312	8,096
Due from governments - gross receipts	61,835			61,835
Due from governments - other	15,189			15,189
Total assets	1,950,524	843,402	468,738	3,262,664
LIABILITIES				
Accounts payable	3,234			3,234
Contracts payable	128,986		20,548	149,534
Payroll deductions payable	18,526		2,980	21,506
Deposits payable	1,650			1,650
Total liabilities	152,396	0	23,528	175,924
DEFERRED INFLOW OF RESOURCES				
Taxes levied for a future period	504,809	148,361	142,937	796,107
Unavailable revenue:				
Property taxes - delinquent	5,480	1,304	1,312	8,096
Gross receipts tax	61,835			61,835
Total deferred inflow of resources	572,124	149,665	144,249	866,038
FUND BALANCE				
Nonspendable				0
Restricted		693,737	300,961	994,698
Committed				0
Assigned				0
Unassigned	1,226,004			1,226,004
Total fund balance	1,226,004	693,737	300,961	2,220,702
Total liabilities, deferred inflow of resources and fund balance	1,950,524	843,402	468,738	3,262,664

Reconciliation of the above balance sheet - governmental funds to the government-wide statement of net position

Total fund balance - governmental funds (above) 2,220,702

Amounts reported in the government-wide statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Therefore:
Add the cost of capital assets 7,276,767
Subtract the associated accumulated depreciation -1,541,086

Long-term liabilities are not due and payable in the current period. Therefore, subtract the following long-term liabilities
Accrued leave - sick -3,843

Some assets are not available to pay for current period expenditures and therefore are deferred in the funds.
Therefore add: Taxes receivable (delinquent) 8,096
Gross receipts tax 61,835

These pension related amounts are not an available financial resource and therefore are not reported in the funds.
Net pension assets 495,811
Deferred outflow of resources 665,733
Deferred inflow of resources -957,870

Total net position on government-wide statement of net position 8,226,145

See accompanying notes.

STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
 FOR THE YEAR ENDING JUNE 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Revenue:				
Revenue from local sources:				
Taxes:				
Ad valorem taxes	1,204,161	330,166	296,183	1,830,510
Prior year ad valorem taxes	8,751	1,207	1,248	11,206
Gross receipts	70,413			70,413
Penalties and interest	2,722	634	560	3,916
Interest earned	5,465	3,087	1,311	9,863
Cocurricular activities:				
Admissions	5,718			5,718
Other pupil activity				0
Other revenue from local sources:				
Medicaid	1,791		3,486	5,277
Other	12,546	2,537		15,083
Total revenue from local sources	1,311,567	337,631	302,788	1,951,986
Revenue from intermediate sources:				
County sources:				
County apportionment	12,696			12,696
Revenue from state sources:				
Unrestricted grants-in-aid	186,779			186,779
Restricted grants-in-aid	7,748			7,748
Revenue from federal sources:				
Restricted grants-in-aid	144,876	107,265	38,872	291,013
Total revenues	1,663,666	444,896	341,660	2,450,222
Expenditures:				
Instruction:				
Regular programs:				
Elementary school	471,821	20,428		492,249
Middle school	107,515	20,705		128,220
High school	374,335	63,083		437,418
Preschool - Title I	10,959			10,959
Special programs:				
Programs for special educ. Educ. deprived (Title I)	35,926		193,454	193,454
Total instruction	1,000,556	104,216	193,454	1,298,226
Support services:				
Pupils:				
Guidance	26,403			26,403
Special education			86,666	86,666
Instruction:				
Improvement of instruction	13,032			13,032
Library services	7,909			7,909
Technology	66,887			66,887
General administration:				
Board of Education	11,686			11,686
Executive administration	142,667	1,210		143,877
School administration:				
Multi-service coop	4,098			4,098
Business:				
Fiscal services	75,515	3,700		79,215
Operations and maintenance	250,015	6,814		256,829
Pupil transportation	19,713			19,713
Food service	4,123			4,123
Special education			33,931	33,931
Total support services	622,048	11,724	120,597	754,369

(continued)

STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
 FOR THE YEAR ENDING JUNE 30, 2022 (continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Cocurricular activities:				
Transportation	30,112			30,112
Combined activities	53,454	1,511		54,965
Total cocurricular services	83,566	1,511	0	85,077
Capital outlay:		25,232		25,232
Total expenditures	1,706,170	142,683	314,051	2,162,904
Excess of revenues over (under) expenditures	-42,504	302,213	27,609	287,318
Other financing sources (uses):				
Transfer in	153,516			153,516
Transfer (out)	-21,000	-163,622	-1,311	-185,933
Compensation for damaged property		40,946		40,946
Total financing sources (uses):	132,516	-122,676	-1,311	8,529
Net change in fund balance	90,012	179,537	26,298	295,847
Fund balance:				
July 1, 2021	1,135,992	514,200	274,663	1,924,855
June 30, 2022	1,226,004	693,737	300,961	2,220,702

Reconciliation of the above statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities.

Net change in fund balances - total governmental funds (above) 295,847

Capital outlays are reported in governmental funds as expenditures. However in the government-wide statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. Therefore:

Add the cost of capital assets purchased 25,232
 Subtract depreciation taken on all capital assets -154,993

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Therefore:

Subtract prior year delinquent taxes -1,364
 Add current year delinquent taxes 8,096
 Subtract prior year gross receipts tax -70,565
 Add current year gross receipts tax 61,835

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. Therefore:

Add prior year accrued leave payable 4,050
 Subtract current year accrued leave payable -3,843

Revenues and reductions of expenses related to pensions do not provide current financial resources and, therefore, are not reported in the funds

117,149

Change in net position on government-wide statement of activities

281,444

See accompanying notes.

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Revenue:				
Revenue from local sources:				
Taxes:				
Ad valorem taxes	1,361,151	281,157	303,338	1,945,646
Prior year ad valorem taxes	24,221	1,841	3,989	30,051
Gross receipts	70,179			70,179
Penalties and interest	4,101	525	982	5,608
Interest earned	5,557	2,392	1,528	9,477
Cocurricular activities:				
Admissions	6,522			6,522
Other pupil activity				0
Other revenue from local sources:				
Medicaid	3,594		5,921	9,515
Other	3,029			3,029
Total revenue from local sources	1,478,354	285,915	315,758	2,080,027
Revenue from intermediate sources:				
County sources:				
County apportionment	14,344			14,344
Revenue in lieu of taxes	1,009			1,009
Revenue from state sources:				
Unrestricted grants-in-aid	153,760			153,760
Restricted grants-in-aid	5,112			5,112
Revenue from federal sources:				
Restricted grants-in-aid	162,174	6,926	33,052	202,152
Total revenues	1,814,753	292,841	348,810	2,456,404
Expenditures:				
Instruction:				
Regular programs:				
Elementary school	471,388	4,677		476,065
Middle school	116,621	2,244		118,865
High school	368,579	22,484		391,063
Preschool - Title I	10,790			10,790
Special programs:				
Programs for special educ.			257,618	257,618
Educ. deprived (Title I)	96,260			96,260
Total instruction	1,063,638	29,405	257,618	1,350,661
Support services:				
Pupils:				
Guidance	31,699			31,699
Special education			65,690	65,690
Instruction:				
Improvement of instruction	6,434			6,434
Library services	22,775	36		22,811
Technology	68,179			68,179
General administration:				
Board of Education	26,446			26,446
Executive administration	179,915			179,915
School administration:				
Multi-service coop	3,230			3,230
Business:				
Fiscal services	79,044	3,550		82,594
Operations and maintenance	211,389	11,905		223,294
Pupil transportation	17,146			17,146
Food service	4,122			4,122
Special education			35,721	35,721
Total support services	650,379	15,491	101,411	767,281

(continued)

HOVEN SCHOOL DISTRICT No. 53-2
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2021 (continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Cocurricular activities:				
Transportation	26,786			26,786
Combined activities	44,159	583		44,742
Total cocurricular services	70,945	583	0	71,528
Non-program charges:				
Unemployment	1,959			1,959
Total non-program charges	1,959	0	0	1,959
Capital outlay:		2,446		2,446
Total expenditures	1,786,921	47,925	359,029	2,193,875
Excess of revenues over (under) expenditures	27,832	244,916	-10,219	262,529
Other financing sources (uses):				
Transfer in	128,920			128,920
Transfer (out)	-40,000	-127,392	-1,528	-168,920
Total financing sources (uses):	88,920	-127,392	-1,528	-40,000
Net change in fund balance	116,752	117,524	-11,747	222,529
Fund balance:				
July 1, 2020	1,019,240	396,676	286,410	1,702,326
June 30, 2021	1,135,992	514,200	274,663	1,924,855

Reconciliation of the above statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities.

Net change in fund balances - total governmental funds (above) 222,529

Capital outlays are reported in governmental funds as expenditures. However in the government-wide statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. Therefore:

Add the cost of capital assets purchased 2,446
Subtract depreciation taken on all capital assets -153,936

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Therefore:

Subtract prior year delinquent taxes -17,546
Add current year delinquent taxes 1,364
Subtract prior year gross receipts tax -70,096
Add current year gross receipts tax 70,565

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. Therefore:

Add prior year accrued leave payable 5,165
Subtract current year accrued leave payable -4,050

Revenues and reductions of expenses related to pensions do not provide current financial resources and, therefore, are not reported in the funds

-122,819

Change in net position on government-wide statement of activities

-66,378

See accompanying notes.

HOVEN SCHOOL DISTRICT No. 53-2

STATEMENT OF NET POSITION - ENTERPRISE FUNDS
AS OF JUNE 30, 2022

	Food Service Fund	After School Program Fund	Total Enterprise Funds
ASSETS			
Current assets:			
Cash	14,975	16,494	31,469
Inventory - supplies	1,303		1,303
Inventory - purchased goods	4,088		4,088
Inventory - commodities (donated)	2,512		2,512
Capital assets:			
Equipment	60,520		60,520
Equipment - federal	11,417		11,417
Accumulated depreciation	-41,163		-41,163
Other assets:			
Net pension assets	21,683		21,683
	-----	-----	-----
Total assets	75,335	16,494	91,829
	=====	=====	=====
DEFERRED OUTFLOW OF RESOURCES			
Pension related deferred outflows	29,110		29,110
	-----	-----	-----
Total deferred outflow of resources	29,110	0	29,110
	=====	=====	=====
LIABILITIES:			
Revenue received in advance	6,884		6,884
	-----	-----	-----
Total liabilities	6,884	0	6,884
	=====	=====	=====
DEFERRED INFLOW OF RESOURCES:			
Pension related deferred inflows	41,890		41,890
	-----	-----	-----
Total deferred inflow of resources	41,890	0	41,890
	=====	=====	=====
NET POSITION			
Net invested in capital assets	30,774		30,774
Restricted - pension related	8,903		8,903
Unrestricted	15,994	16,494	32,488
	-----	-----	-----
Total net position	55,671	16,494	72,165
	=====	=====	=====

See accompanying notes.

HOVEN SCHOOL DISTRICT No. 53-2

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - ENTERPRISE FUNDS
FOR THE TWO YEARS ENDING JUNE 30, 2022

	Food Service Fund	After School Program Fund	FY22 Total Enterprise Funds	Food Service Fund	After School Program Fund	FY21 Total Enterprise Funds
Operating revenue:						
Sales to pupils			0	1,630		1,630
Sales to adults	5,007		5,007	4,412		4,412
Other sales	3,622	3,576	7,198	2,274	4,127	6,401
Total operating revenue	8,629	3,576	12,205	8,316	4,127	12,443
Operating expense:						
Salaries	55,858		55,858	56,722		56,722
Employee benefits	7,705		7,705	7,873		7,873
Purchased services	1,571		1,571	900		900
Supplies	3,068	133	3,201	4,779	107	4,886
Cost of sales:						
Purchased food	34,518		34,518	28,534		28,534
Donated food	7,830		7,830	6,875		6,875
Depreciation	5,995		5,995	5,043		5,043
Pension related (revenue) expense	-5,434		-5,434	4,541	287	4,828
Total operating expenses	111,111	133	111,244	115,267	394	115,661
Operating income (loss)	-102,482	3,443	-99,039	-106,951	3,733	-103,218
Nonoperating revenue (expense):						
Interest earnings	76	73	149	63	60	123
State source: Cash reimbursement	199		199	259		259
Federal source: Cash reimbursement	64,964		64,964	49,194		49,194
Donated food	8,426		8,426	6,221		6,221
Total nonoperating revenue (expense)	73,665	73	73,738	55,737	60	55,797
Income (loss) before transfers	-28,817	3,516	-25,301	-51,214	3,793	-47,421
Transfer in - general fund	21,000		21,000	40,000		40,000
Transfer in - capital outlay	11,417		11,417			0
Change in net position	3,600	3,516	7,116	-11,214	3,793	-7,421
Net position:						
July 1, 2020				63,285	9,185	72,470
June 30, 2021	52,071	12,978	65,049	52,071	12,978	65,049
June 30, 2022	55,671	16,494	72,165			

See accompanying notes.

HOVEN SCHOOL DISTRICT No. 53-2

STATEMENT OF CASH FLOWS - ENTERPRISE FUND
FOR THE TWO YEARS ENDING JUNE 30, 2022

	Food Service Fund	After School Program Fund	FY22 Total Enterprise Funds	Food Service Fund	After School Program Fund	FY21 Total Enterprise Funds
Cash flows from:						
Operating activities:						
Receipts from customers	8,629	3,576	12,205	8,316	4,127	12,443
Cash paid to employees	-63,563		-63,563	-64,595		-64,595
Payments to suppliers	-40,032	-133	-40,165	-33,662	-107	-33,769
Net cash provided (used) by operating activities	-94,966	3,443	-91,523	-89,941	4,020	-85,921
Noncapital financing activities:						
Grant reimbursements - state	199		199	259		259
Grant reimbursements - federal	72,955		72,955	48,086		48,086
Transfer in - from general	21,000		21,000	40,000		40,000
Capital financing activities:						
None			0			0
Investing activities:						
Interest earnings	76	73	149	63	60	123
Net increase (decrease) in cash and cash equivalents	-736	3,516	2,780	-1,533	4,080	2,547
Cash and cash equivalents:						
July 1, 2020				17,244	8,898	26,142
June 30, 2021	15,711	12,978	28,689	15,711	12,978	28,689
June 30, 2022	14,975	16,494	31,469			
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	-102,482	3,443	-99,039	-106,951	3,733	-103,218
Value of donated commodities used	7,830		7,830	6,875		6,875
Depreciation	5,995		5,995	5,043		5,043
Pension related (revenue) expense	-5,434		-5,434	4,541	287	4,828
Change in operating accounts:						
Inventory - supplies	-415		-415	660		660
Inventory - purchased	-460		-460	-109		-109
Net cash provided (used) by operating activities	-94,966	3,443	-91,523	-89,941	4,020	-85,921
Noncash investing, capital and financing activities:						
Value of donated commodities received in FY22:	8,426					
received in FY21:				6,221		
Transfer in of equipment from capital outlay fund	11,417					

See accompanying notes.

HOVEN SCHOOL DISTRICT No. 53-2
 STATEMENT OF FIDUCIARY NET POSITION
 AS OF JUNE 30, 2022

	Custodial Funds

Assets:	
Cash	45,321

Total assets	45,321
	=====
Liabilities:	
None	0

Total liabilities	0
	=====
Net Position:	
Restricted for student activities	45,321

Total net position	45,321
	=====

See accompanying notes.

HOVEN SCHOOL DISTRICT No. 53-2
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE TWO YEARS ENDING JUNE 30, 2022

	-- FY22 -- Custodial Funds	-- FY21 -- Custodial Funds
Additions:		
Collections for student activities	61,102	54,021
	-----	-----
Total additions	61,102	54,021
	-----	-----
Deductions:		
Payments for student activities	57,686	58,206
	-----	-----
Total deductions	57,686	58,206
	-----	-----
Change in net position	3,416	-4,185
Net position:		
July 1, 2020		46,090

June 30, 2021	41,905	41,905
	-----	=====
June 30, 2022	45,321	
	=====	

See accompanying notes.

HOVEN SCHOOL DISTRICT No. 53-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the Hoven School District's (School District) Board of Education.

The School District's officials at June 30, 2022 are:

Board Members:

Mark Weber, President
Kindra Hartung
Amber Huber
Rob Spindler
Krystal Stuwe

Superintendent:

James Kayl

Business Manager:

Amy Arbach

Attorney:

Churchill, Manolis, Freeman, Kludt & Burns

The reporting entity of the School District consists of (1) 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; (2) those organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the School District (the primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District unless that organization can, without the approval of the School District: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the Hoven School District does not have any component units.

The School District does participate with other school districts in cooperative service units. 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 to the School District.

b. Basis of Presentation:

Government-wide Financial Statements:

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements 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 good and services.

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position is displayed in three components, as applicable: net invested 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 function of the School District's governmental activities and for each segment of School District's business-type activities. Direct expenses are associated with a specific program or function and are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the program 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 and interest, are presented as general revenues.

Fund Financial Statements:

The fund financial statements include specific information about individual funds used by the reporting entity. Each fund is considered a separate accounting entity with a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, enterprise, and fiduciary. An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the School District or if it meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, revenues, or expenditures/expenses) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.
- c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's official believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The School District has elected to classify all of its funds as major funds.

School District funds are described below within their respective fund type:

Governmental Funds

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

Special Revenue Fund Type - special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes. The School District has the following special revenue funds:

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

Special education fund - a fund established by SDCL 13-37-16 to pay the costs of special education for all children in need of special assistance and prolonged assistance who reside within the School District. This fund is financed by property taxes and grants and is a major fund.

Enterprise Funds

Enterprise Fund Types - enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The School District has the following enterprise funds:

Food service fund - a fund used to record financial transactions related to the School District's food service operations. This fund is financed by user charges and grants and is a major fund.

After school program fund - a fund used to record financial transactions related to the School District's after school programs: after school program and the wellness center. This fund is financed by donations and user charges. This fund is a major fund.

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus

Government-wide Financial Statements:

Both governmental and business-type activities are presented using the "economic resources" measurement focus, applied on the accrual basis of accounting.

The "economic resources" measurement focus includes all assets and liabilities (whether current or noncurrent, financial, or nonfinancial) on the balance sheet. Operating statements use the flow of all economic resources to present operating income, changes in net position, and cash flows during the accounting period. This measurement focus uses the term "net position" to describe its equity at the end of the accounting period.

Fund Financial Statements:

All governmental funds are presented using the "current financial resources" measurement focus and the modified accrual basis of accounting.

The "current financial resources" measurement focus includes only current financial assets and liabilities on the balance sheet. Operating statements present sources and uses of available spendable financial resources during the accounting period. This measurement focus uses the term "fund balance" to describe its equity at the end of the accounting period. It is a measure of available spendable financial resources.

Enterprise and fiduciary funds are presented using the "economic resources" measurement focus (described above) and the accrual basis of accounting.

Basis of Accounting

Government-wide Financial Statements:

In the government-wide financial statements, the accrual basis of accounting is used for both governmental and business-type activities in the Statement of Net Position and Statement of Activities. 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:

In the fund financial statements, all governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The School District's availability period for accruing and recording revenues is 15 days. The revenues which are accrued at June 30, 2022 are grants and accounts receivable.

Under the modified accrual basis of accounting, receivables may be measurable but "not available". Not available means not collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred inflow of resources are those where the asset recognition criteria has been met but for which the revenue recognition criteria has not been met because the receivable is not available.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due. However, the Hoven School District budgets for, and makes payment of, debt obligations (if any) due on July 1st as of June 30th, the end of the School District's fiscal year.

All enterprise funds and fiduciary funds are accounted for using the accrual basis of accounting, the same as in the government-wide financial statements. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

In the fund financial statements, noncurrent portions of long-term interfund receivables are reported as Nonspendable Fund Balance to the extent that the proceeds from the collection of those receivables are not Restricted, Committed, or Assigned. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources" and are reported in the appropriate fund balance category.

e. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other interfund transactions are reported as transfers.

f. Cash and Cash Equivalents:

The School District pools its cash for depositing and investing purposes. Accordingly, enterprise funds have access to their cash resources on demand and consequently all enterprise fund deposits and investment balances are considered to be cash equivalents for the purposes of the statement of cash flows.

g. Capital Assets and Infrastructure assets:

Capital assets include land, buildings, improvements, and equipment, and all other tangible or intangible assets that are used in operations, which have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets. Infrastructure assets, if any, are classified as "Improvements Other than Buildings."

Government-wide Financial Statements:

In the government-wide financial statements, capital assets are accounted for on the accrual basis of accounting. Capital asset purchases are capitalized and not expensed. Instead, capital purchases are expensed over the life of the asset as depreciation or amortization.

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

The total June 30, 2022 balance of capital assets for governmental activities include approximately 1% for which the costs were determined by estimates of the original costs. The total June 30, 2022 balance of capital assets for business-type activities includes approximately 0% for which the costs were determined by estimates of the original costs. The estimated original costs were established by appraisals or deflated current replacement cost.

Interest cost incurred during construction of general capital assets are not capitalized with other capital asset cost. Interest cost incurred during construction of enterprise capital assets are not capitalized with other capital asset cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide statement of activities and the enterprise fund statement of revenue, expenses and changes in fund net position. Accumulated depreciation is reported on the government-wide statement of net position and on the enterprise fund's statement of net position. See also page 34.

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

	Capitalization Threshold	Depreciation Method	Estimated Life in Years
	-----	-----	-----
Land	All	N/A	N/A
Buildings/improvements	25,000	Straight-line	20-85
Equipment	5,000	Straight-line	10-20
Equipment - food service	1,000	Straight-line	12

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

h. Long-term Liabilities:

Government-wide Financial Statements:

In the government-wide financial statement, all long-term liabilities to be repaid from governmental or business-type resources are reported as liabilities. Long-term liabilities consist of compensated absences obligations.

Fund Financial Statements:

In the fund financial statements, governmental debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. Enterprise fund long-term debt (if any) is reported as a liability, the same as in the government-wide statements.

i. Program Revenues and General Revenues:

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

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

General revenues include all revenues not specifically earmarked for a specific program. General revenues include all taxes, investment earnings, unrestricted receipts from federal, state, or county governments, and miscellaneous revenues not related to a program. These revenues are not restricted and can be used for the regular operation of the School District.

j. Deferred Outflows and Deferred Inflows 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 the government-wide financial statements, the only deferred outflow of resources reported is a deferred amount arising from the School District's pension plan for qualified retirees as discussed in Note 12.

In the fund financial statement there are no deferred outflows of resources reported in the governmental funds. There is deferred outflows of resources reported in the enterprise funds arising from School District's pension plan for qualified retirees as discussed in Note 12.

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

In the government-wide financial statements, the only deferred inflow of resources reported are deferred amounts arising from the School District's pension plan and property taxes that are levied for future periods.

In the funds financial statement, governmental funds report deferred inflows of resources for gross receipts tax and property taxes levied but not collected within the available period and property taxes levied in the available period that are intended to finance operations of the next fiscal year. Enterprise funds report deferred inflows of resources arising from School District's pension plan for qualified retirees as discussed in Note 12.

k. Enterprise Fund Revenue and Expense Classifications:

In the government-wide and fund financial statements, enterprise revenues and expenses are classified in a manner consistent with how they are classified in the statement of cash flows. That is, transactions for which related cash flows are

reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

1. Equity Classifications:

Government-wide Financial Statements:

Equity is classified as "Net Position" and is displayed in three components:

1. Net Invested in Capital Assets - Consist of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any capital outlay certificate payable, capitalized leases payable, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Consist of net position with constraints placed on their use either by (a) external groups such as creditor, grantor, 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 criteria of "Net Invested in Capital Assets" or "Restricted Net Position".

Fund Financial Statements:

Governmental fund equity is classified as "Fund Balance", and may distinguish between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements.

Fiduciary fund equity is reported as "Custodial Net Position".

m. 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 (or modified or rescinded) by the government through formal action at 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 School Board, Superintendent, or Business Manager.
- * Unassigned - includes positive fund balance within the general fund which has not been classified within the above categories and negative fund balances in other governmental funds.

Hoven School District fund balance classifications are made up of:

<u>Fund Balance Classification</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	None		0
Restricted	Capital Outlay	Statute	693,737
	Special Education	Statute	300,961
Committed	None		0
Assigned	None		0
Unassigned	General		1,226,004

			2,220,702

The School District uses "restricted" and "committed" amounts first when 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 special revenue fund and revenue source is:

Major Special Revenue Fund	Revenue Source: (see page 8 and 10)
* Capital Outlay	Property taxes, federal grant
* Special Education	Property taxes, Medicaid services reimbursements, and federal grants

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 which can be charged to either restricted or unrestricted net position.

o. Allowance for Doubtful Accounts:

Because write-off of uncollected taxes and/or student meals is minimal, is it not considered necessary to establish an estimated allowance for doubtful accounts.

p. Accounting Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual amounts could differ from these estimates. Following are the estimates made by management during the year:

- * Allowance for doubtful accounts - estimated uncollectables
- * Inventory - estimated fair market value
- * Depreciation - estimated cost of certain assets and service lives
- * Pension - actuarial assumptions

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

None reported.

3. DEPOSITS, INVESTMENTS AND RISK

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

Deposits - The School District deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15 and 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 FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or better, or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is the add-on type.

Actual bank balances at June 30, 2022 were as follows: Insured \$310,234, Collateralized ** \$2,162,858 for a total of \$2,473,092.

** Uninsured, collateral jointly held by state's/school's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits at June 30, 2022 was \$2,458,227, which equals \$2,412,906 on the government-wide statement of net position plus \$45,321 on the fiduciary funds statement of custodial net position.

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

For the two years ending June 30, 2022 the School District had no investments.

Cash Equivalents - Certificates of deposit (if any), with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

Investment Risk - State law limits eligible investments for schools as discussed above. The School District has no investment policy that would further limit its investment choices.

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. At June 30, 2022, the School District's deposits in financial institutions were not exposed to custodial credit risk.

Concentration of Credit Risk - the School District places no limit on the amount that may be deposited/invested in any one institution. All School District deposits are in Plains Commerce Bank.

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 with the deposit.

4. 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. Allowances for estimated uncollectible accounts are not material to these financial statements.

5. DUE FROM OTHER GOVERNMENTS

At June 30, 2022 the School District had these receivables:

Gross receipts taxes	\$ 61,835
Title Preschool	1,827
ESSER II	967
ESSER III	12,395

	\$ 77,024

6. INVENTORY

Government-wide Statements: (consumption method)

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 used. Inventory of supplies and small tools is recorded at cost.

Donated items are valued at estimated market value at the date of receipt. The cost valuation method is first-in first-out. There is \$7,903 of food inventory and supplies at June 30, 2022.

Fund Financial Statements: (consumption method)

In the fund financial statements, inventories of the general fund and special revenue funds (if any) consist of expendable supplies held for consumption. The cost is recorded as an asset and charged to expense as they are consumed. Any reported inventories are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

In the fund financial statements, inventory of the enterprise fund 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. Inventories of the food service fund are initially recorded as an asset and charged to expense as they are consumed.

7. CHANGES IN CAPITAL ASSETS (see schedule one, page 34)

A summary of changes in capital assets for the two years ending June 30, 2022 is found on schedule one at the end of these footnotes.

There is no construction-in-progress at June 30, 2022.

8. CHANGES IN LONG-TERM LIABILITIES (see schedule two, page 35)

A summary of changes in long-term liabilities for the two years ending June 30, 2022 is found on schedule two at the end of these footnotes.

Accrued leave is the School District's only long-term liability.

9. RESTRICTED NET POSITION

The following table shows the net position restricted for specific purposes as shown on the statement of net position:

Fund	Restricted by	Governmental Activities Amount	Business-type Activities Amount
Capital outlay	Statute	\$ 695,041	
Special education	Statute	302,273	
SDRS pension: General	Contract	203,674	
Enterprise funds	Contract		\$ 8,903
		-----	-----
Total restricted net position		\$ 1,200,988	\$ 8,903

10. INTERFUND TRANSFERS

Net transfers "in" and "(out)" between funds are:

For the year ending June 30, 2022:

	Governmental	Enterprise	Purpose
General fund	\$ 153,516		Operations
General fund	(21,000)		Operations
Capital outlay	(149,118)		Operations (45%)
Capital outlay	(3,087)		Interest
Capital outlay	(11,417)		Kitchen equipment
Special education	(1,311)		Interest
Food service		\$ 21,000	Operations
Food service		11,417	Kitchen equipment
	-----	-----	
	\$ (32,417)	\$ 32,417	

For the year ending June 30, 2021:

	Governmental	Enterprise	Purpose
General fund	\$ 128,920		Operations
General fund	(40,000)		Operations
Capital outlay	(125,000)		Operations (45%)
Capital outlay	(2,392)		Interest
Special education	(1,528)		Interest
Food service		\$ 40,000	Operations
	-----	-----	
	\$ (40,000)	\$ 40,000	

11. UNEARNED REVENUE

Grants and payments received in advance of the eligibility criteria for revenue recognition are reported as unearned revenue.

11. PENSION PLAN

Summary of Significant Accounting Policies:

For purpose of measuring the net pension (assets), liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. School District contributions and net position (asset)/liability are recognized on an accrual basis of accounting.

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 hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098 or 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 public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

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

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

- > Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- > If the fair value of assets is equal to or greater 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 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 on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

Contributions:

Per SDCL 3-12, contributions 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 years ending June 30, 2022, 2021 and 2020 were \$80,376, \$92,007 and \$90,265, respectively (employer's share) equal to the required contribution each year.

Pension (Assets)/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources to Pensions:

At June 30, 2021 SDRS is 105.53% funded and accordingly has net pension (asset). The proportionate shares of the components of the net pension (asset) of South Dakota Retirement System, for the School District as of this measurement period ending June 30, 2021 and reported by the School District as of June 30, 2022 are as follows:

Proportionate share of total pension liability	\$ 9,369,922
Less: Proportionate share of net position restricted for pension benefits	(9,887,416)

Proportionate share of net pension (asset)/liability	\$ (517,494)
	=====

At June 30, 2022 the School District reported a (asset)/liability of \$(517,494) for its proportionate share of the net pension (asset)/liability. The net pension (asset) was measured as of June 30, 2021 and the total pension liability used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the School District's proportion was .000675730 which is a decrease of .000009745 over its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District recognized net pension (expense reduction) of \$122,582.

At June 30, 2022 the School District reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 18,580	\$ 1,357
Change in assumptions	595,112	259,153
Net difference between projected and actual earnings on pension plan investments	0	739,250
Changes in proportion and difference between client contribution and proportionate share of contributions	-23	
School District contributions subsequent to the measurement date	81,174	
	-----	-----
Totals	694,843	999,760
	(81,174)	=====
	(999,760)	

To be amortized over 4 years	(386,091)	
	=====	

The \$81,174 reported as deferred outflow of resources related to the pension, results from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

The other amounts reported as deferred outflows of resources and deferred inflow of resources related to the pension will be recognized in pension expense (reduction of expense) as follows:

Year Ending June 30, 2023	\$ (95,094)
June 30, 2024	(64,864)
June 30, 2025	(18,146)
June 30, 2026	(207,987)

	(386,091)

Actuarial Assumptions:

The total pension liability 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%
Salary Increases	6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.25% and real returns of 4.25%.
Future COLAs	2.25%

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

Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

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

Investments

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which my utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (ie: 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 weighting 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:

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

	100.0%	
	=====	

Discount Rate:

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

Sensitivity of (Asset)/Liability to Changes in the Discount Rate:

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
School District's proportionate share of the net pension (asset)/liability	\$837,951	\$ (517,494)	\$ (1,617,799)

Pension Plan Fiduciary Net Position:

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

12. SPECIAL TERMINATION BENEFITS

The School District also has an early retirement policy in which an employee must meet the following criteria: Employee is 55 before September 1 of the next school year, but no more than 62, has eleven or more years of employment with the Hoven School District and has not been dismissed by the school board according to SDCL 13-43-15. Early retirement is based on 80% of the applicant's salary at retirement or 80% of the applicant's last full-time contract after July 1993 - whichever is higher. Fifty percent will be made in one lump sum and the remainder will be paid as a social security bridge per year each September until age 62 or in no less than three annual payments.

At June 30, 2022 no School District employees are receiving early retirement benefits.

13. PROPERTY TAXES

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

School District property tax revenue are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable, which is not intended to be used to finance the current year's appropriations, and therefore not susceptible to accrual, has been reported as deferred revenue in both the government-wide financial statements and the fund financial statements.

Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period". However, because property taxes are payable on April 30 and October 31 each year, about 1/2 of the property tax levy is collected by June 30, to finance the current year's appropriations, and 1/2 is collected after June 30, to finance the next year's appropriations.

Consequently, the School District considers all unpaid property tax levies at June 30 to be for the next year's appropriation. This entire amount is deferred in both the government-wide financial statements and the fund financial statements. Any delinquent property taxes received after June 30, but within the School District's "availability period", are considered immaterial to these financial statements and are deferred along with the second 1/2 of the current year's tax levy.

Delinquent property taxes, from prior year tax levies, are included in "net position" in the government-wide statement of activities but are deferred in the fund financial statements. See reconciliations on page 7, 9, and 11.

14. JOINT VENTURE -- OAHE SPECIAL EDUCATION COOPERATIVE

Oahe Special Education Cooperative
P.O. Box 97, Java, South Dakota 57452
605.649.6296

The School participates in Oahe Special Education Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education and other services to member school districts. At June 30, 2022, the School's percentage of participation in the co-op is 1/6th, the same as the other school districts in the coop.

The co-op's governing board has one representatives from the school board of each member school. 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 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 of the co-op are available at its business office at P.O. Box 97, Java, South Dakota 57452. At June 30, 2022 this co-op had total AUDITED unrestricted net position of \$525,609 and no long-term debt.

15. RISK MANAGEMENT

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

Health:

The School District does not purchase health insurance for its employees.

Liability and Property:

The School District purchases liability and property insurance for risks related to torts, theft of or damage to property, vehicle insurance, 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 during the past three years.

Unemployment Benefits:

The School District has elected to be self-insured and retains all risk for liabilities resulting from claims for unemployment benefits. The School District paid unemployment claims of \$1,958 in FY21 and none in FY22. No unemployment claims are expected to be paid in FY23.

16. TAX ABATEMENTS

As of June 30, 2022 the School District did not provide any tax abatement incentives through agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

17. LITIGATION

The School District can be a party to litigation. No determination can be made at this time regarding the potential outcome of such matters. However, as discussed in the risk management note above, the School District has liability coverage for itself and its employees. Therefore, any litigation is not expected to have a potential material effect on the School District's financial statements.

18. EMERGING ACCOUNTING PRONOUNCEMENTS

In May 2020, the Government Accounting Standards Board issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. GASB 96 affects any government entity that enters into a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 96 is effective for years beginning after June 15, 2022. The School District has not yet implemented this update and is in the process of assessing the effect on its financial statements.

19. OTHER DISCLOSURES

The School District pays a monthly stipend to teachers and certain non-certified staff as part of the teacher's negotiated negotiated agreement or employee contract. All stipends are listed individually in the minutes as part of the annual salary and wage resolution.

In FY23 the School District received \$89,693 from an ESSER III grant.

In July 2019 the School Board adopted a seven year \$200,000 tax limitation opt out starting with taxes payable in calendar year 2020.

Student enrollments are:	FY15 - 106	FY18 - 102	FY21 - 100
	FY16 - 111	FY19 - 104	FY22 - 104
	FY17 - 109	FY20 - 100	FY23 - 104

HOVEN SCHOOL DISTRICT No. 53-2
 NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE
 CHANGES IN CAPITAL ASSETS
 FOR THE TWO YEARS ENDING JUNE 30, 2022

	Beginning 6-30-21	Book Adjustments	Additions	Deletions	Ending 6-30-22	Accumulated Depreciation 6-30-21	Book Adjustments	Depreciation Additions	Depreciation Deletions	Accumulated Depreciation 6-30-22	Remaining Cost 6-30-22
Governmental capital assets:											
Land	14,105				14,105	0				0	14,105
Buildings	6,761,680				6,761,680	(1,005,015)	(1)	(135,233)		(1,140,249)	5,621,431
Improvements	31,755				31,755	(31,755)				(31,755)	0
Equipment	436,035		1,856	(21,300)	416,591	(358,918)		(11,625)	21,300	(349,243)	67,348
Equipment - federal	29,260		23,376		52,636	(11,704)		(8,135)		(19,839)	32,797
Totals	7,272,835	0	25,232	(21,300)	7,276,767	(1,407,392)	(1)	(154,993)	21,300	(1,541,086)	5,735,681

Governmental depreciation
is allocated as follows:

Instruction	1,149
Support	152,483
Co-curricular	1,361
Totals	154,993

Enterprise fund:

Food service fund:

Equipment	60,520				60,520	(35,169)		(5,043)		(40,212)	20,308
Equipment - federal	0		11,417		11,417	0		(951)		(951)	10,466
Totals	60,520	0	11,417	0	71,937	(35,169)	0	(5,994)	0	(41,163)	30,774

	Beginning 6-30-20	Book Adjustments	Additions	Deletions	Ending 6-30-21	Accumulated Depreciation 6-30-20	Book Adjustments	Depreciation Additions	Depreciation Deletions	Accumulated Depreciation 6-30-21	Remaining Cost 6-30-21
Governmental capital assets:											
Land	14,105				14,105					0	14,105
Buildings	6,761,680				6,761,680	(869,782)		(135,233)		(1,005,015)	5,756,665
Improvements	31,755				31,755	(31,755)				(31,755)	0
Equipment	433,589		2,446		436,035	(343,141)		(15,777)		(358,918)	77,117
Equipment - federal	29,260				29,260	(8,778)		(2,926)		(11,704)	17,556
Totals	7,270,389	0	2,446	0	7,272,835	(1,253,456)	0	(153,936)	0	(1,407,392)	5,865,443

Governmental depreciation
is allocated as follows:

Instruction	1,149
Support	151,427
Co-curricular	1,360
Totals	153,936

Enterprise fund:

Food service fund:

Equipment	60,520				60,520	(30,125)		(5,044)		(35,169)	25,351
Totals	60,520	0	0	0	60,520	(30,125)	0	(5,044)	0	(35,169)	25,351

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO
 CHANGES IN LONG-TERM LIABILITIES
 FOR THE TWO YEARS ENDING JUNE 30, 2022

	Beginning 6-30-20	FY21 Additions (Deletions)	FY22 Additions (Deletions)	Governmental Ending 6-30-22	Principal Due in FY23
	-----	-----	-----	-----	-----
GOVERNMENTAL - OTHER LIABILITIES					
Accrued leave liability:					
Sick leave paid from the fund that payroll expenditures are charged to	5,165	-1,114	-208	3,843	3,843
	-----	-----	-----	-----	-----
	5,165	-1,114	-208	3,843	3,843
	=====	=====	=====	=====	=====

HOVEN SCHOOL DISTRICT No. 53-2
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING JUNE 30, 2022

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplementals	Final		
Revenues:						
Local Sources:						
Taxes:						
Ad valorem taxes	1,212,000			1,212,000	1,204,161	-7,839
Prior year ad valorem taxes				0	8,751	8,751
Gross receipts	70,000			70,000	70,413	413
Penalties and interest	2,500			2,500	2,722	222
Interest earned	8,500			8,500	5,465	-3,035
Cocurricular activities:						
Admissions	6,200			6,200	5,718	-482
Other activity income				0		0
Other revenue from local sources:						
Medicaid	3,000			3,000	1,791	-1,209
Other	3,000			3,000	12,546	9,546
Intermediate sources:						
County apportionment	11,000			11,000	12,696	1,696
State sources:						
Unrestricted grants-in-aid	143,000			143,000	186,779	43,779
Restricted grants-in-aid	9,300			9,300	7,748	-1,552
Federal sources:						
Restricted grants-in-aid	162,800			162,800	144,876	-17,924
Total revenues	1,631,300	0	0	1,631,300	1,663,666	32,366
Expenditures:						
Instruction:						
Regular programs:						
Elementary school	489,900			489,900	471,821	18,079
Middle school	108,100			108,100	107,515	585
High school	401,400			401,400	374,335	27,065
Preschool - Title I	11,200			11,200	10,959	241
Special programs:						
Educ. deprived (Title I)	36,400			36,400	35,926	474
Support services:						
Pupils:						
Guidance	29,700			29,700	26,403	3,297
Instruction:						
Improvement of instruction	22,200			22,200	13,032	9,168
Library services	10,900			10,900	7,909	2,991
Technology	70,100			70,100	66,887	3,213
General administration:						
Board of Education	18,600			18,600	11,686	6,914
Executive administration	146,300			146,300	142,667	3,633
School administration:						
Other	4,800			4,800	4,098	702
Business:						
Fiscal services	77,400			77,400	75,515	1,885
Operations and maintenance	278,400			278,400	250,015	28,385
Pupil transportation	17,500		2,800	20,300	19,713	587
Food service	3,500		700	4,200	4,123	77
Non-program - unemployment	21,000			21,000		21,000
Cocurricular activities:						
Transportation	30,000		200	30,200	30,112	88
Combined activities	50,600		2,900	53,500	53,454	46
Contingencies:	40,000			40,000		40,000
Amount transferred	0			0		0
Total expenditures	1,868,000	0	6,600	1,874,600	1,706,170	168,430
Excess of rev over (under) exp	-236,700	0	-6,600	-243,300	-42,504	200,796
Other financial sources:						
Transfer in - capital outlay	160,000			160,000	149,118	-10,882
Transfer in - interest				0	4,398	4,398
Transfer (out) - food	-42,000			-42,000	-21,000	21,000
Fund balance:						
July 1, 2021	1,135,992			1,135,992	1,135,992	0
June 30, 2022	1,017,292	0	-6,600	1,010,692	1,226,004	215,312

HOVEN SCHOOL DISTRICT No. 53-2
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING JUNE 30, 2021

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplementals	Final		
Revenues:						
Local Sources:						
Taxes:						
Ad valorem taxes	1,314,000			1,314,000	1,361,151	47,151
Prior year ad valorem taxes				0	24,221	24,221
Gross receipts	70,000			70,000	70,179	179
Penalties and interest	2,000			2,000	4,101	2,101
Interest earned	4,000			4,000	5,557	1,557
Cocurricular activities:						
Admissions	6,200			6,200	6,522	322
Other activity income				0		0
Other revenue from local sources:						
Donations	500			500		-500
Medicaid	3,000			3,000	3,594	594
Other	3,000			3,000	3,029	29
Intermediate sources:						
County apportionment	9,000			9,000	14,344	5,344
Revenue in lieu of taxes				0	1,009	1,009
State sources:						
Unrestricted grants-in-aid	141,000			141,000	153,760	12,760
Restricted grants-in-aid	5,500			5,500	5,112	-388
Federal sources:						
Restricted grants-in-aid	121,400			121,400	162,174	40,774
Total revenues	1,679,600	0	0	1,679,600	1,814,753	135,153
Expenditures:						
Instruction:						
Regular programs:						
Elementary school	498,200			498,200	471,388	26,812
Middle school	119,300			119,300	116,621	2,679
High school	384,100			384,100	368,579	15,521
Preschool - Title I	11,000			11,000	10,790	210
Special programs:						
Educ. deprived (Title I)	97,000			97,000	96,260	740
Support services:						
Pupils:						
Guidance	30,000		1,800	31,800	31,699	101
Instruction:						
Improvement of instruction	20,200			20,200	6,434	13,766
Library services	23,900			23,900	22,775	1,125
Technology	69,400			69,400	68,179	1,221
General administration:						
Board of Education	18,400		8,100	26,500	26,446	54
Executive administration	170,600		9,400	180,000	179,915	85
School administration:						
Other	6,400			6,400	3,230	3,170
Business:						
Fiscal services	84,600			84,600	79,044	5,556
Operations and maintenance	275,900			275,900	211,389	64,511
Pupil transportation	14,200		3,200	17,400	17,146	254
Food service	3,500		700	4,200	4,122	78
Cocurricular activities:						
Transportation	29,000			29,000	26,786	2,214
Combined activities	51,500			51,500	44,159	7,341
Non-program - unemployment	1,000		2,000	3,000	1,959	1,041
Contingencies:	40,000			40,000		40,000
Amount transferred	0			0		0
Total expenditures	1,948,200	0	25,200	1,973,400	1,786,921	186,479
Excess of rev over (under) exp	-268,600	0	-25,200	-293,800	27,832	321,632
Other financial sources:						
Transfer in - capital outlay	117,000		8,000.00	125,000	125,000	0
Transfer in - interest				0	3,920	3,920
Transfer (out) - food	-40,000			-40,000	-40,000	0
Fund balance:						
July 1, 2020	1,019,240			1,019,240	1,019,240	0
June 30, 2021	827,640	0	-17,200	810,440	1,135,992	325,552

HOVEN SCHOOL DISTRICT No. 53-2

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING JUNE 30, 2022

CAPITAL OUTLAY FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenue:					
Local Sources:					
Taxes:					
Ad valorem taxes	347,500		347,500	330,166	-17,334
Prior year ad valorem taxes			0	1,207	1,207
Penalties and interest	500		500	634	134
Interest earned			0	3,087	3,087
Other	41,000		41,000	2,537	-38,463
Federal Sources:					
Restricted grants-in-aid	141,800		141,800	107,265	-34,535
Total revenue	530,800	0	530,800	444,896	-85,904
Expenditures:					
Instruction:					
Regular programs:					
Elementary school	10,100	10,500	20,600	20,428	172
Middle school	5,600	15,200	20,800	20,705	95
High school	78,100		78,100	63,083	15,017
Support services:					
Instruction:					
Library	2,000		2,000	1,856	144
Executive administration	1,500		1,500	1,210	290
Business:					
Fiscal services	3,700	17,400	21,100	21,076	24
Operations and maintenance	132,900		132,900	12,814	120,086
Food service	10,800	700	11,500		11,500
Cocurricular activities:					
Combined activities	4,000		4,000	1,511	2,489
Total expenditures	248,700	43,800	292,500	142,683	149,817
Excess of rev over (under) exp	282,100	-43,800	238,300	302,213	63,913
Other financial sources:					
Transfer out - general	-160,000		-160,000	-149,118	10,882
Transfer out - food			0	-11,417	-11,417
Transfer out - interest			0	-3,087	-3,087
Compensation for damaged property			0	40,946	40,946
Fund balance:					
July 1, 2021	514,200		514,200	514,200	0
June 30, 2022	636,300	-43,800	592,500	693,737	101,237

HOVEN SCHOOL DISTRICT No. 53-2

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING JUNE 30, 2021

CAPITAL OUTLAY FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenue:					
Local Sources:					
Taxes:					
Ad valorem taxes	333,000		333,000	281,157	-51,843
Prior year ad valorem taxes			0	1,841	1,841
Penalties and interest	500		500	525	25
Interest earned	1,500		1,500	2,392	892
Other			0		0
Federal Sources:					
Restricted grants-in-aid			0	6,926	6,926
Total revenue	335,000	0	335,000	292,841	-42,159
Expenditures:					
Instruction:					
Regular programs:					
Elementary school	12,000		12,000	4,677	7,323
Middle school	3,000		3,000	2,244	756
High school	25,000		25,000	22,484	2,516
Support services:					
Instruction:					
Library	2,500		2,500	2,482	18
Business:					
Fiscal services	3,600		3,600	3,550	50
Operations and maintenance	75,000		75,000	11,905	63,095
Transportation vehicle			0		0
Cocurricular activities:					
Combined activities	4,000		4,000	583	3,417
Total expenditures	125,100	0	125,100	47,925	77,175
Excess of rev over (under) exp	209,900	0	209,900	244,916	35,016
Other financial sources:					
Transfer out - general	-117,000	-8,000.00	-125,000	-125,000	0
Transfer out - interest			0	-2,392	-2,392
Fund balance:					
July 1, 2020	396,676		396,676	396,676	0
June 30, 2021	489,576	-8,000	481,576	514,200	32,624

HOVEN SCHOOL DISTRICT No. 53-2

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING JUNE 30, 2022

SPECIAL EDUCATION FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplemental	Final		
Revenue:					
Local Sources:					
Taxes:					
Ad valorem taxes	334,000		334,000	296,183	-37,817
Prior year ad valorem taxes			0	1,248	1,248
Penalties and interest	600		600	560	-40
Interest earned			0	1,311	1,311
Medicaid	5,500		5,500	3,486	-2,014
Other			0		0
County Sources:					
Revenue in lieu of taxes			0		0
Federal Sources:					
Restricted grants-in-aid	37,900		37,900	38,872	972
Total revenue	378,000	0	378,000	341,660	-36,340
Expenditures:					
Instruction:					
Special programs:					
Programs for special educ.	231,300		231,300	193,454	37,846
Support services:					
Pupils:					
Special education	91,000	5,200	96,200	86,666	9,534
Special education administrative	30,400		30,400	33,931	-3,531
Total expenditures	352,700	5,200	357,900	314,051	43,849
Excess of rev over (under) exp	25,300	-5,200	20,100	27,609	7,509
Other financial sources:					
Transfer out - interest		-1,300	-1,300	-1,311	-11
Fund balance:					
July 1, 2021	274,663		274,663	274,663	0
June 30, 2022	299,963	-6,500	293,463	300,961	7,498

HOVEN SCHOOL DISTRICT No. 53-2

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING JUNE 30, 2021

SPECIAL EDUCATION FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplemental	Final		
Revenue:					
Local Sources:					
Taxes:					
Ad valorem taxes	266,000		266,000	303,338	37,338
Prior year ad valorem taxes			0	3,989	3,989
Penalties and interest	600		600	982	382
Interest earned	1,000		1,000	1,528	528
Medicaid	3,500		3,500	5,921	2,421
Other			0		0
County Sources:					
Revenue in lieu of taxes			0		0
Federal Sources:					
Restricted grants-in-aid	34,000		34,000	33,052	-948
Total revenue	305,100	0	305,100	348,810	43,710
Expenditures:					
Instruction:					
Special programs:					
Programs for special educ.	267,000	100	267,100	257,618	9,482
Support services:					
Pupils:					
Special education	71,500	4,500	76,000	65,690	10,310
Special education administrat	33,700	4,400	38,100	35,721	2,379
Total expenditures	372,200	9,000	381,200	359,029	22,171
Excess of rev over (under) exp	-67,100	-9,000	-76,100	-10,219	65,881
Other financial sources:					
Transfer out - interest			0	-1,528	-1,528
Fund balance:					
July 1, 2020	286,410		286,410	286,410	0
June 30, 2021	219,310	-9,000	210,310	274,663	64,353

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETS

1. Budgets and Budgetary Accounting:

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

- a. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the school board at the first regular meeting held in May of each year.
- c. The proposed budget is published for public review no later than July 15 of each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except custodial funds.
- f. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 1h below.
- g. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
- h. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets, when money is available, to increase legal spending authority. See pages 36 to 41.
- i. Unexpended appropriations lapse at year end unless encumbered by resolution of the school board. No encumbrances were outstanding at June 30, 2022.
- j. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
- k. Budgets for the general fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. GAAP and Budgetary Accounting Basis Difference:

The financial statements prepared in conformity with U.S.GAAP 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 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 service/business/pupil transportation function of government, along with all other current pupil transportation related expenditures.

HOVEN SCHOOL DISTRICT No. 53-2
 FOR THE EIGHT YEARS ENDING JUNE 30, 2021

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE
 SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION (ASSET)/LIABILITY

SDRS Measurement Date Year Ended (1)	School's Pension Allocation Percentage	School's Proportionate Share of Net Pension (Asset) Liability	School's Covered Employee Payroll for a June 30th Year End	School's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2021	0.0675730%	-517,494	1,533,450	(33.75%)	105.52%
June 30, 2020	0.0685475%	-2,977	1,504,417	(00.20%)	100.04%
June 30, 2019	0.0696151%	-7,377	1,480,167	(00.50%)	100.09%
June 30, 2018	0.0661887%	-1,544	1,376,000	(00.12%)	100.02%
June 30, 2017	0.0625982%	-5,681	1,271,867	(00.45%)	100.10%
June 30, 2016	0.0518460%	175,131	985,850	17.77%	96.89%
June 30, 2015	0.0484814%	-205,623	885,133	(23.23%)	104.10%
June 30, 2014	0.0486065%	-350,190	850,000	(41.20%)	107.30%

(1) The amounts presented for each fiscal year were determined as of the collective net pension liability (asset) which is 6/30 of the previous fiscal year.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

HOVEN SCHOOL DISTRICT No. 53-2
 FOR THE NINE YEARS ENDING JUNE 30, 2022

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
 TO THE SOUTH DAKOTA RETIREMENT SYSTEM

School's Year Ended	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	School's Covered Employee Payroll for its June 30th Year End	Contributions as a Percentage of Covered Employee Payroll
June 30, 2022	80,376	80,376	0	1,339,600	6.00%
June 30, 2021	92,007	92,007	0	1,533,450	6.00%
June 30, 2020	90,265	90,265	0	1,504,417	6.00%
June 30, 2019	88,810	88,810	0	1,480,167	6.00%
June 30, 2018	82,560	82,560	0	1,376,000	6.00%
June 30, 2017	76,312	76,312	0	1,271,867	6.00%
June 30, 2016	59,151	59,151	0	985,850	6.00%
June 30, 2015	53,108	53,108	0	885,133	6.00%
June 30, 2014	51,000	51,000	0	850,000	6.00%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

HOVEN SCHOOL DISTRICT No. 53-2
JUNE 30, 2022

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY
AND SCHEDULE OF PENSION CONTRIBUTIONS

Changes of 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% (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%. The 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 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.

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

Governing Board
Hoven School District No. 53-2
Hoven, South Dakota

INDEPENDENT AUDITOR'S REPORT

I 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 governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Hoven School District (School District), Hoven, South Dakota, as of and for each of the fiscal years in the biennial period ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued my report thereon dated October 25, 2023, which was unmodified.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exist 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 Hoven School District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

I did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-01 that I consider to be a significant deficiency.

Government Auditing Standards require the auditor to perform limited procedures on the School District's response to the internal control over financial reporting finding identified in my audit described in the accompanying schedule of findings and responses. The School District's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

I did note minor matters involving internal control over financial reporting that I reported to the governing body and management of the Hoven School District in a separate Letter of Comments dated October 25, 2023.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hoven School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my tests disclose no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

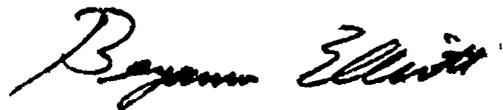
Purpose of this Report

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

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

October 25, 2023



HOVEN SCHOOL DISTRICT
JUNE 30, 2022

SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES

Prior Audit Findings:

2020-01 (Lack of Proper Segregation of Duties): Repeated below as 2022-01

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Finding 2022-01: Segregation of Duties
(internal control) (First reported in 2010)

Criteria:

The management of the School District is responsible for establishing and maintaining an internal control structure to provide management and taxpayers with reasonable assurance: 1) that assets are safeguarded against loss from unauthorized use or disposition, 2) that transactions are executed in accordance with management's authorization, and 3) that transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles or other comprehensive basis of accounting.

A key element of an effective internal control structure is the segregation of duties so one person isn't responsible of all aspects of a transaction.

Condition:

The business manager processes most transactions from beginning to end. The business manager receives money, posts receipts to the accounting records, prepares bank deposits, generates and signs checks, makes journal entries, and posts transactions to the general ledger. As a result, an inadequate segregation of duties exists for the Hoven School District.

Questioned Cost:

None could be identified regarding this finding.

Effect:

Inadequate segregation of duties can lead to misappropriation of funds.

Recommendation:

I recommend the Hoven School District's management be cognizant of this lack of segregation of duties and attempt to provide compensating internal controls whenever and wherever possible and practical.

Management Response:

This comment is a result of the size of our school district, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The Hoven School District has determined that it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. The Hoven School District is aware of this problem and is attempting to provide compensating controls whenever and wherever possible and practical. However, this lack of segregation of duties is expected to continue.