

Webster Area School District No. 18-5

**Independent Auditor's Report
and Financial Statements**

**For the Year Ended
June 30, 2023**

Webster Area School District No. 18-5

School District Officials

June 30, 2023

Board Members

Tom Sannes----- Board President

Martin Looyenga ----- Member

Aaron Gaikowski ----- Member

Joel Shoemaker----- Member

Larry Jirava----- Member

James Block----- Superintendent

Lori O'Farrell ----- Business Manager

Webster Area School District No. 18-5

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

School Board
Webster Area School District No. 18-5
Day County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Webster Area School District No. 18-5, South Dakota, as of June 30, 2023 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated March 5, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Webster Area School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which are described in the accompanying Schedule of Prior and Current Audit Findings and Questioned Costs as item 2023-001.

School District's Response to Findings

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

Purpose of this Report

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



Elk Point, South Dakota
March 5, 2024



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

School Board
Webster Area School District No. 18-5
Day County, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Webster Area School District No. 18-5’s, South Dakota compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Webster Area School District’s major federal programs for the year ended June 30, 2023. Webster Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Prior and Current Audit Findings and Questioned Costs.

In our opinion, the Webster Area School District No. 18-5 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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



Elk Point, South Dakota
March 5, 2024

Webster Area School District No. 18-5
 Schedule of Prior and Current Audit Findings and Questioned Costs
 Year Ended June 30, 2023

Schedule of Prior Audit Findings:

The prior audit report contained no written audit comments.

Schedule of Current Audit Findings:

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified: _____ Yes ___x___ None reported

Significant deficiencies identified not considered to be material weaknesses: _____ Yes ___x___ None reported

Noncompliance material to financial statements noted? ___x___ Yes _____ No

Federal Awards:

Internal control over major program:

Material weakness identified: _____ Yes ___x___ None reported

Significant deficiencies identified not considered to be material weaknesses: _____ Yes ___x___ None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516: _____ Yes ___x___ No

Identification of major program:

CFDA Number	Name of Federal Program
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee? _____ Yes ___x___ No

Webster Area School District No. 18-5
Schedule of Prior and Current Audit Findings and Questioned Costs
Year Ended June 30, 2023 (Continued)

Section II - Financial Statement Findings

Finding Number 2023-001 - Compliance Finding

Material Weakness

There is a material weakness resulting from expenditures exceeding the total amounts budgeted for the Capital Outlay Fund.

Condition, Cause and Effect: SDCL 13-11-2 requires that the school board adopt a levy sufficient to meet the budget for the year for each governmental fund. The district had more expenditures than budgeted and didn't supplement for the additional costs. As a result, the expenditures are in excess of budget for the Capital Outlay Fund in total.

Criteria: There is a material weakness resulting from expenditures exceeding the total amounts budgeted for the Capital Outlay Fund.

Recommendation: We recommend that district officials be aware of and adhere to the budgetary requirements and supplement the budget when necessary in the future.

Views of Responsible Officials: Management agrees with the finding and recommendation. A response can be found in the Corrective Action Plan.

Repeat Finding from Prior Years: No

Section III - Federal Award Findings and Questioned Costs

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

Webster Area School District No. 18-5

Office of the Business Manager
Phone: (605)-345-3548

52 E. 9th Ave.
Webster, SD 57274

Corrective Action Plan (Unaudited)

Webster Area School District No. 18-5 respectfully submits the following corrective action plan for the year ended June 30, 2023.

Name and address of independent public accounting firm:

ELO Prof. LLC
1101 W Main
Elk Point, SD 57025

The Webster Area's School District's Board will continue monitor the budgets, and, if the expenditures are anticipated to exceed the annual appropriate, and/or the fund balance the School District will adopt a supplemental appropriation to utilize unobligated fund balances only up to the maximum allowable.



Independent Auditor's Report

School Board
Webster Area School District No. 18-5
Day County, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Webster Area School District No. 18-5, Day County, South Dakota, as of June 30, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise Webster Area School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Webster Area School District No. 18-5, South Dakota as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management 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 controls 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 Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with Generally Accepted Auditing Standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), the Schedule of School District Contributions and the Schedule of Changes in Total OPEB Liability listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2024 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Elk Point, South Dakota
March 5, 2024

Webster Area School District No. 18-5
Statement of Net Position – Government-Wide
June 30, 2023

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 10,498,459	\$ 186,840	\$ 10,685,299
Certificate of deposits	70,000	--	70,000
Accounts receivable	278,276	5,654	283,930
Taxes receivable	2,107,240	--	2,107,240
Inventories	--	4,723	4,723
Restricted Assets:			
Cash and cash equivalents	1,554,181	--	1,554,181
Net pension asset	10,599	--	10,599
Capital assets:			
Land and construction in progress	6,145,448	--	6,145,448
Other capital assets, net of depreciation	6,806,523	51,850	6,858,373
Total Assets	27,470,726	249,067	27,719,793
Deferred Outflows of Resources:			
Pension-related deferred outflows	1,053,268	--	1,053,268
Total Deferred Outflows of Resources	1,053,268	--	1,053,268
Liabilities:			
Unearned revenue	--	36,818	36,818
Accounts payable	1,006,208	4,937	1,011,145
Contracts payable	361,070	1,134	362,204
Benefits payable	90,244	--	90,244
Long-term liabilities:			
Due within one year	679,390	--	679,390
Due in more than one year	10,874,032	--	10,874,032
Total Liabilities	13,010,944	42,889	13,053,833
Deferred Inflows of Resources:			
Taxes levied for future periods	2,092,750	--	2,092,750
Pension related deferred inflows	616,535	--	616,535
OPEB-related deferred inflows	7,874	--	7,874
Total Deferred Inflows of Resources	2,717,159	--	2,717,159
Net Position:			
Net investment in capital assets	5,099,868	51,850	5,151,718
Restricted for:			
Capital outlay	2,075,378	--	2,075,378
Special education	2,260,711	--	2,260,711
Debt service	1,554,181	--	1,554,181
SDRS pension purposes	447,332	--	447,332
Unrestricted	1,358,421	154,328	1,512,749
Total Net Position	\$ 12,795,891	\$ 206,178	\$ 13,002,069

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Webster Area School District No. 18-5
Statement of Activities – Government-Wide
June 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Governmental Activities:						
Instruction	\$ 3,222,016	\$ --	\$ 1,300,339	\$ (1,921,677)	\$ --	\$ (1,921,677)
Support services	2,737,529	62,053	--	(2,675,476)	--	(2,675,476)
Interest on long-term debt	343,996	--	--	(343,996)	--	(343,996)
Cocurricular activities	373,798	49,694	--	(324,104)	--	(324,104)
Total Governmental Activities	<u>6,677,339</u>	<u>111,747</u>	<u>1,300,339</u>	<u>(5,265,253)</u>	<u>--</u>	<u>(5,265,253)</u>
Business-Type Activities:						
Food service	290,732	185,227	159,028	--	53,523	53,523
Driver's education	12,072	12,770	--	--	698	698
Total Business Type Activities	<u>302,804</u>	<u>197,997</u>	<u>159,028</u>	<u>--</u>	<u>54,221</u>	<u>54,221</u>
Total Primary Government	<u>\$ 6,980,143</u>	<u>\$ 309,744</u>	<u>\$ 1,459,367</u>	<u>(5,265,253)</u>	<u>54,221</u>	<u>(5,211,032)</u>
General Revenues:						
Taxes:						
Property taxes				4,826,331	--	4,826,331
Gross receipts taxes				211,860	--	211,860
Revenue from state sources:						
State aid				1,371,037	--	1,371,037
Other				2,682	--	2,682
Unrestricted investment earnings				202,291	2,171	204,462
Other general revenues				164,145	--	164,145
Total General Revenues and Transfers				<u>6,778,346</u>	<u>2,171</u>	<u>6,780,517</u>
Change in Net Position				1,513,093	56,392	1,569,485
Net Position - Beginning of Year				<u>11,282,798</u>	<u>149,786</u>	<u>11,432,584</u>
Net Position - End of Year	<u>\$ 12,795,891</u>			<u>\$ 206,178</u>	<u>\$ 13,002,069</u>	

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Webster Area School District No. 18-5

Balance Sheet – Governmental Funds

June 30, 2023

	General	Capital Outlay	Special Education	QSCB Debt Service	Capital Projects	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 1,469,921	\$ 2,097,071	\$ 2,334,088	\$ --	\$ 4,597,379	\$ 10,498,459
Investments-certificates of deposit	70,000	--	--	--	--	70,000
Taxes receivable - current	943,590	725,380	423,780	--	--	2,092,750
Taxes receivable - delinquent	6,824	4,635	3,031	--	--	14,490
Accounts receivable	69,308	--	--	--	--	69,308
Due from other governments	208,968	--	--	--	--	208,968
Restricted cash and cash equivalents	--	--	--	1,554,181	--	1,554,181
Total Assets	\$ 2,768,611	\$ 2,827,086	\$ 2,760,899	\$ 1,554,181	\$ 4,597,379	\$ 14,508,156
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ 54,561	\$ 26,329	\$ 7,769	\$ --	\$ 917,549	\$ 1,006,208
Contracts payable	307,509	--	53,561	--	--	361,070
Payroll deductions and withholding and employer matching payable	75,167	--	15,077	--	--	90,244
Total Liabilities	437,237	26,329	76,407	--	917,549	1,457,522
Deferred Inflows of Resources:						
Taxes levied for future period	943,590	725,379	423,781	--	--	2,092,750
Delinquent taxes not available	6,824	4,635	3,031	--	--	14,490
Total Deferred Inflows of Resources	950,414	730,014	426,812	--	--	2,107,240
Fund Balances:						
Restricted:						
For capital outlay	--	2,070,743	--	--	--	2,070,743
For special education	--	--	2,257,680	--	--	2,257,680
For debt service	--	--	--	1,554,181	--	1,554,181
For capital projects	--	--	--	--	3,679,830	3,679,830
Assigned	61,547	--	--	--	--	61,547
Unassigned	1,319,413	--	--	--	--	1,319,413
Total Fund Balances	1,380,960	2,070,743	2,257,680	1,554,181	3,679,830	10,943,394
Total Liabilities and Fund Balances	\$ 2,768,611	\$ 2,827,086	\$ 2,760,899	\$ 1,554,181	\$ 4,597,379	\$ 14,508,156

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Webster Area School District No. 18-5

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2023

Total Fund Balances - Governmental Funds \$ 10,943,394

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 12,951,971

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

GO Bonds	(365,000)	
QSCB Bonds	(1,978,000)	
Direct Borrowing Note	(3,592)	
Other Postemployment Benefits Payable	(21,489)	
Capital Outlay Certificates	(9,053,071)	
Econ Development Note	<u>(132,270)</u>	(11,553,422)

Assets that are not available to pay for current period expenditures are deferred in the governmental funds. Assets at year end consist of:

Delinquent Property Taxes Receivable 14,490

Proportionate Share of Net Pension Asset 10,599

Pension and OPEB related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (624,409)

Pension and OPEB related deferred outflows are components of non current assets and therefore are not reported in the funds. 1,053,268

Net Position - Governmental Activities \$ 12,795,891

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Webster Area School District No. 18-5

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

June 30, 2023

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>QSCB Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues						
Revenue from Local Sources:						
Taxes:						
Ad valorem taxes	\$ 2,096,855	\$ 1,672,489	\$ 1,030,921	\$ --	\$ --	\$ 4,800,265
Prior years' ad valorem taxes	7,543	5,246	3,551	--	--	16,340
Utility taxes	211,860	--	--	--	--	211,860
Penalties and interest on taxes	7,671	2,941	1,953	--	--	12,565
Earnings on Investments and Deposits	14,852	20,664	28,107	51,143	87,525	202,291
Cocurricular Activities:						
Admissions	35,317	--	--	--	--	35,317
Rentals	2,095	--	--	--	--	2,095
Other Student Activity Income	12,282	--	--	--	--	12,282
Other Revenue from Local Sources:						
Rentals	59,229	--	--	--	--	59,229
Contributions and donations	13,325	20,338	--	--	--	33,663
Services provided other school districts	15,000	--	--	--	--	15,000
Charges for services	7,251	--	2,445	--	--	9,696
Other	12,787	150	--	--	--	12,937
Revenue from Intermediate Sources:						
County Sources:						
County apportionment	45,219	--	--	--	--	45,219
Revenue in lieu of taxes	2,143	794	464	--	--	3,401
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted grants-in-aid	1,371,037	--	--	--	--	1,371,037
Restricted grants-in-aid	2,066	--	--	--	--	2,066
Other state revenue	616	--	--	--	--	616
Revenue from Federal Sources:						
Grants-in-Aid:						
Unrestricted grants-in-aid received from federal government through an intermediate source	276	--	--	--	--	276
Restricted grants-in-aid received directly from federal government	5,334	10,902	--	--	--	16,236
Restricted grants-in-aid received from federal government through the state	396,054	786,312	--	--	--	1,182,366
Other	--	101,461	--	--	--	101,461
Total Revenues	<u>\$ 4,318,812</u>	<u>\$ 2,621,297</u>	<u>\$ 1,067,441</u>	<u>\$ 51,143</u>	<u>\$ 87,525</u>	<u>\$ 8,146,218</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Webster Area School District No. 18-5

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

June 30, 2023 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>QSCB Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Expenditures						
Instructional Services:						
Regular Programs:						
Elementary	\$ 966,389	\$ 48,349	\$ --	\$ --	\$ --	\$ 1,014,738
Middle/junior high	473,175	12,387	--	--	--	485,562
High school	722,559	57,153	--	--	--	779,712
Preschool	22,865	--	--	--	--	22,865
Special Programs:						
Programs for special education	--	--	594,533	--	--	594,533
Educationally deprived	104,128	--	--	--	--	104,128
Support Services:						
Students:						
Attendance and social work	182,826	--	--	--	--	182,826
Guidance	132,660	--	--	--	--	132,660
Health	39,096	--	--	--	--	39,096
Psychological	--	--	11,184	--	--	11,184
Speech pathology	--	--	13,583	--	--	13,583
Student therapy services	--	--	8,479	--	--	8,479
Instructional Staff:						
Improvement of instruction	11,661	--	--	--	--	11,661
Educational media	131,379	29,103	--	--	--	160,482
General Administration:						
Board of education	123,862	--	581	--	--	124,443
Executive administration	118,230	--	--	--	--	118,230
School Administration:						
Office of the principal	208,600	410	--	--	--	209,010
Other	499	--	--	--	--	499
Business:						
Fiscal services	115,954	7,997	--	--	--	123,951
Facilities acquisition and construction	--	268,233	--	--	--	268,233
Operation and maintenance of plant	464,501	136,607	--	--	--	601,108
Student transportation	523,573	97,418	--	--	--	620,991
Food services	--	3,260	--	--	--	3,260
Special Education:						
Administrative costs	--	--	61,248	--	--	61,248
Other special education costs	--	--	17,215	--	--	17,215

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Webster Area School District No. 18-5

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

June 30, 2023 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>QSCB Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Debt Services:	\$ --	\$ 904,150	\$ --	\$ --	\$ --	\$ 904,150
Cocurricular Activities:						
Male activities	55,230	--	--	--	--	55,230
Female activities	33,873	--	--	--	--	33,873
Transportation	49,298	--	--	--	--	49,298
Combined activities	143,080	35,624	--	--	--	178,704
Capital Outlay	--	465,282	--	--	5,802,098	6,267,380
Total Expenditures	<u>4,623,438</u>	<u>2,065,973</u>	<u>706,823</u>	<u>--</u>	<u>5,802,098</u>	<u>13,198,332</u>
Excess of Revenue Over (Under) Expenditures	(304,626)	555,324	360,618	51,143	(5,714,573)	(5,052,114)
Other Financing Sources (Uses):						
Transfer in	300,000	--	--	116,353	--	416,353
Transfer out	--	(416,353)	--	--	--	(416,353)
Total Other Financing Sources (Uses)	<u>300,000</u>	<u>(416,353)</u>	<u>--</u>	<u>116,353</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	(4,626)	138,971	360,618	167,496	(5,714,573)	(5,052,114)
Fund Balance, Beginning of Year	<u>1,385,586</u>	<u>1,931,772</u>	<u>1,897,062</u>	<u>1,386,685</u>	<u>9,394,403</u>	<u>15,995,508</u>
Fund Balance, End of Year	<u>\$ 1,380,960</u>	<u>\$ 2,070,743</u>	<u>\$ 2,257,680</u>	<u>\$ 1,554,181</u>	<u>\$ 3,679,830</u>	<u>\$ 10,943,394</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Webster Area School District No. 18-5
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
 to the Statement of Activities
 June 30, 2023

Net Change in Fund Balances - Total Governmental Funds \$ (5,052,114)

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

This amount represents capital assets purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements. 6,267,380

The amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financials because it does not require the use of current financial resources. (324,340)

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

GO Bond	115,000	
CO Certificates	390,000	
Unamortized Premiums	29,887	
Direct Borrowing Note	3,222	
Econ Development Note	22,045	560,154

The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available." (2,839)

Changes in the pension related deferred outflows/inflows are direct components of liabilities (assets) and are not reflected in the governmental funds. 54,980

Changes in the OPEB related deferred outflows/inflows are direct components of noncurrent liability (asset) and are not reflected in the governmental funds. 9,872

Change in net position of governmental activities \$ 1,513,093

Webster Area School District No. 18-5
Statement of Net Position – Proprietary Funds
June 30, 2023

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 181,478	\$ 5,362	\$ 186,840
Accounts receivable, net	5,654	--	5,654
Inventory of Supplies	681	--	681
Inventory - stores for resale	3,387	--	3,387
Inventory of donated food	655	--	655
Total Current Assets	<u>191,855</u>	<u>5,362</u>	<u>197,217</u>
Noncurrent Assets:			
Machinery and equipment - local funds	199,973	--	199,973
Less accumulated depreciation	(148,123)	--	(148,123)
Total Noncurrent Assets	<u>51,850</u>	<u>--</u>	<u>51,850</u>
Total Assets	<u>\$ 243,705</u>	<u>\$ 5,362</u>	<u>\$ 249,067</u>
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 404	\$ 730	\$ 1,134
Contracts payable	4,937	--	4,937
Unearned revenue	36,818	--	36,818
Total Current Liabilities	<u>42,159</u>	<u>730</u>	<u>42,889</u>
Net Position:			
Net investment in capital assets	51,850	--	51,850
Unrestricted net position	149,696	4,632	154,328
Total Net Position	<u>\$ 201,546</u>	<u>\$ 4,632</u>	<u>\$ 206,178</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Webster Area School District No. 18-5
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
June 30, 2023

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Operating Revenue:			
Tuition and Fees:			
Driver's Education Fees	\$ --	\$ 12,770	\$ 12,770
Food Sales:			
Student	175,598	--	175,598
Adult	4,797	--	4,797
Other	4,832	--	4,832
Total Operating Revenue	<u>185,227</u>	<u>12,770</u>	<u>197,997</u>
Operating Expenses:			
Salaries	89,717	10,092	99,809
Employee benefits	26,912	906	27,818
Purchased services	2,920	--	2,920
Supplies	4,122	1,074	5,196
Cost of sales - purchased	133,571	--	133,571
Cost of sales - donated	23,700	--	23,700
Other	53	--	53
Depreciation	9,737	--	9,737
Total Operating Expenses	<u>290,732</u>	<u>12,072</u>	<u>302,804</u>
Operating Income(Loss)	(105,505)	698	(104,807)
Nonoperating Revenues/Expenses:			
Investment Earnings	2,171	--	2,171
State grants	701	--	701
Federal grants	134,502	--	134,502
Donated food	23,825	--	23,825
Total Nonoperating Revenue/ (Expenses)	<u>161,199</u>	<u>--</u>	<u>161,199</u>
Change in Net Position	55,694	698	56,392
Net Position - Beginning of Year	<u>145,852</u>	<u>3,934</u>	<u>149,786</u>
Net Position - End of Year	<u>\$ 201,546</u>	<u>\$ 4,632</u>	<u>\$ 206,178</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Webster Area School District No. 18-5
Statement of Cash Flows – Proprietary Funds
June 30, 2023

	Food Service Fund	Other Enterprise Fund	Totals
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 193,121	\$ 12,770	\$ 205,891
Cash payments to suppliers	(146,011)	(1,074)	(147,085)
Cash payments to employees	(116,225)	(11,117)	(127,342)
Net Cash (Used) by Operating Activities	(69,115)	579	(68,536)
Cash Flows from Noncapital Financing Activities:			
Cash reimbursements - state	701	--	701
Cash reimbursements - federal	134,502	--	134,502
Net Cash Provided by Noncapital Financing Activities	135,203	--	135,203
Cash Flows from Investing Activities:			
Investment Earnings	2,171	--	2,171
Net Cash Provided by Investing Activities	2,171	--	2,171
Net Change in Cash and Cash Equivalents	68,259	579	68,838
Cash and Cash Equivalents, Beginning of Year	113,219	4,783	118,002
Cash and Cash Equivalents, End of Year	\$ 181,478	\$ 5,362	\$ 186,840
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (105,505)	\$ 698	\$ (104,807)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	9,737	--	9,737
Value of commodities used	23,700	--	23,700
Change in Assets and Liabilities:			
Accounts receivable	(2,099)	--	(2,099)
Inventory	(2,414)	--	(2,414)
Deferred revenue	9,993	--	9,993
Accounts payable	404	(119)	285
Contracts payable	(2,931)	--	(2,931)
Net cash (used) by operating activities:	\$ (69,115)	\$ 579	\$ (68,536)
Noncash Investing, Capital and Financing Activities			
Value of commodities received	\$ 23,825	\$ --	\$ 23,825

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Webster Area School District No. 18-5
Statement of Net Position – Fiduciary Funds
June 30, 2023

	Private -Purpose Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ --	\$ 126,420
Investments - Certificates of Deposit	9,862	2,141
Accounts Receivable	--	14,873
Beneficial Interest in Assets Held with SD Community Foundation	49,805	--
Total Assets	\$ 59,667	\$ 143,434
Net Position:		
Held for student organizations	\$ --	\$ 143,434
Held in Trust for Scholarships	47,611	--
Held in Trust for Teacher Awards	12,056	--
Total Net Position	\$ 59,667	\$ 143,434

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Webster Area School District No. 18-5
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2023

	Private-Purpose Trust Funds	Custodial Funds
Additions:		
Student Activities	\$ --	\$ 682,259
Contributions and Donations	3,419	--
Total Additions	3,419	682,259
Deductions:		
Trust deductions for scholarships awarded	4,170	--
Payments for student activities	--	677,318
Total Deductions	4,170	677,318
Change in Net Position	(751)	4,941
Net Position - Beginning	60,418	138,493
Net Position - Ending	\$ 59,667	\$ 143,434

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Webster Area School District No. 18-5

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies:

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

a. Reporting Entity:

The reporting entity of Webster Area School District No. 18-5, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation:

Government-Wide Financial Statements:

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

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Webster Area School District No. 18-5

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

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

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

Governmental Funds:

General Fund – A fund established by South Dakota Codified Laws (SDCL) 18-56-3 to meet all the general operational costs of the School District, excluding the capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

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

Capital Outlay Fund – A fund established by SDCL 18-56-6 to meet expenditures which result in the lease of, acquisition of or additions to real property, plant or equipment, textbooks and instructional software. This fund is financed by property taxes. This is a major fund.

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

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

Webster Area School District No. 18-5

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

The Bond Redemption Fund – A fund established by SDCL 18-56-13 to account for the proceeds on a special property tax restricted to use for the payment of principal and interest of general obligation bonded debt. This is a major fund.

The QSCB Debt Service Fund – A fund established to account for the funds restricted to use for the payment of principal and interest on Qualified School Construction Bonds. This is a major fund.

Capital Projects Funds – Capital Projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds. The New School Construction Fund is the only capital projects fund maintained by the School District. This fund was opened in FY22.

Proprietary Funds:

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

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

Food Service Fund – A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is a major fund.

Other Enterprise Fund – A fund used to record financial transactions related to driver’s education conducted for the benefit of the students. This fund is financed by user charges and grants. This is a major fund.

Webster Area School District No. 18-5

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Fiduciary Funds:

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

Private Purpose Trust Funds – Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains private-purpose trust funds for scholarships and teacher awards.

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Webster Area School District No. 18-5

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the Webster Area School District 18-5 is 60 days. The revenues which are accrued at June 30, 2023 are due from governments for grants and utility taxes.

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

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

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

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns.

e. Deposits and Investments:

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

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

Webster Area School District No. 18-5

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

f. Capital Assets:

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

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

Government-Wide Financial Statements:

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

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

The total June 30, 2023 balance of capital assets for governmental activities includes approximately less than 3% for which the costs were determined by estimates of the original costs. These estimated original costs were established by appraisals of deflated current replacement cost. The total June 30, 2023 balance of capital assets for business-type activities are all valued at original costs. These estimated original costs were established by replacement costs estimated at the time fixed asset records were established.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land*	All Land	NA	NA
Buildings	\$ 50,000	Straight-line	33-50 years
Improvements	15,000	Straight-line	10-25 years
Equipment (governmental activities)	5,000	Straight-line	5-12 years
Equipment (proprietary funds)	\$ 5,000	Straight-line	12 years

*Land is an inexhaustible capital asset and is not depreciated.

Webster Area School District No. 18-5

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

g. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of general obligation bonds payable, capital outlay certificates payable, qualified school construction bonds payable, direct borrowing notes payable, and other post-employment benefits.

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

h. Leases:

The School District does not have any leases. If the School District had any leases, it would recognize a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$45,000 or more.

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

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

- The School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for leases.

Webster Area School District No. 18-5

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School District is reasonably certain to exercise.

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

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

The School District has no recorded lease liabilities.

i. Subscription-Based Information Technology Arrangements:

The School District has not entered into any subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided information technology. If the School District had any subscriptions, it would recognize a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements. The School District recognizes subscription liabilities with an initial, individual value of \$45,000 or more.

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

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

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

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

Webster Area School District No. 18-5

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position

The School District has no recorded subscriptions.

j. Program Revenues:

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

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

k. Deferred Inflows and Deferred Outflows of Resources:

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

The District's governmental funds report a separate section for deferred inflows of resources. This section reflects a decrease in net position that applies to a future period or periods. Under the modified accrual basis of accounting, governmental fund revenues are not recognized until available (collected no later than 60 days after the end of the District's fiscal year). The District reports the following as deferred inflows of resources in the governmental funds: property taxes levied but not collected within the available period; property taxes collected within the available period that are intended to finance the next fiscal year; and capital credits that are owed to the District but will be received at some point in the future. In the government-wide financial statements, the District reports deferred inflows of resources for property taxes levied for a future period and pension-related items. In the business-type activities, the District reports deferred inflows for pension-related items.

Webster Area School District No. 18-5

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

l. Proprietary Funds Revenue and Expense Classifications:

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

m. Cash and Cash Equivalents:

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

n. Equity Classifications:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as net position held in trust for other purposes.

o. Application of Net Position:

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

Webster Area School District No. 18-5

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

p. 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 funds balances as follows:

- Nondisposable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the School Board.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

The School District's assigned fund balance consists of amounts assigned for unemployment in the General Fund. The balance at June 30, 2023, is \$61,547.

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

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

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

Webster Area School District No. 18-5

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

q. Pensions:

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

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

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

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

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

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

As of June 30, 2023, the School District had the following investments:

External Investment Pools:	<u>Fair Value</u>
SDFIT - Government Cash Reserves	\$ 1,554,181

Webster Area School District No. 18-5

Notes to the Financial Statements

June 30, 2023

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

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine-member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

Concentrations of Credit Risk – The School District places no limit on the amount that may be invested in any one issuer.

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 District's policy is to credit all income from deposits and investment to the fund making the investment.

3. Restricted Cash and Investments:

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

\$ 1,554,181	For Debt Service, by debt covenants (sinking funds required to be in a separate account)
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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. No allowance for estimated uncollectible accounts has been established, as the School District believes all receivables are ultimately collectable.

5. Inventory:

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

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

Webster Area School District No. 18-5
Notes to the Financial Statements
June 30, 2023

5. Inventory: (Continued)

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. No material inventories were on hand at June 30, 2023.

6. Property Tax:

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

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

7. Due from other Governments:

Receivables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Amounts due from other governments include reimbursements for various programs. These amounts include \$208,968 due from various county, school, state and federal governments.

Webster Area School District No. 18-5

Notes to the Financial Statements

June 30, 2023

8. Changes in Capital Assets:

A summary of changes in capital assets for the fiscal year ended June 30, 2023 is as follows:

	6/30/2022		Increases		Decreases		6/30/2023
	Balance						Balance
Governmental Activities:							
Capital assets, not being depreciated:							
Land	\$ 148,313		\$ --		\$ --		\$ 148,313
Construction in progress	--		5,997,135		--		5,997,135
Total capital assets not being depreciated	148,313		5,997,135		--		6,145,448
Capital assets being depreciated:							
Buildings	6,776,066		--		--		6,776,066
Improvements	3,475,418		--		--		3,475,418
Machinery & Equipment	717,948		261,770		--		979,718
Library Books	292,198		8,475		1,280		299,393
Total capital assets being depreciated	11,261,630		270,245		1,280		11,530,595
Less accumulated depreciation for:							
Buildings	2,647,831		149,096		--		2,796,927
Improvements	1,064,196		106,177		--		1,170,373
Machinery & Equipment	535,018		67,539				602,557
Library Books	153,967		1,528		1,280		154,215
Total accumulated depreciation	4,401,012		324,340		1,280		4,724,072
Total capital assets being depreciated, net	6,860,618		(54,095)		--		6,806,523
Net Capital Assets	\$ 7,008,931		\$ 5,943,040		\$ --		\$ 12,951,971

Depreciation expense was charged to functions as follows:

Instruction	\$ 220,479
Support services	47,168
Co-curricular activities	56,693
Total Depreciation Expense	\$ 324,340

Webster Area School District No. 18-5

Notes to the Financial Statements

June 30, 2023

8. Changes in Capital Assets: (Continued)

	<u>Balance</u> <u>6/30/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2023</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Equipment	\$ 199,973	\$ --	\$ --	\$ 199,973
Less accumulated depreciation for:				
Less: Accumulated Depreciation	<u>138,385</u>	<u>9,737</u>	<u>--</u>	<u>148,122</u>
Total capital assets being depreciated, net	<u>\$ 61,588</u>	<u>\$ (9,737)</u>	<u>\$ --</u>	<u>\$ 51,851</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	<u>\$ 9,737</u>

9. Long-Term Liabilities:

A summary of the changes in long-term liabilities for the year ended June 30, 2023 is as follows:

	<u>6/30/2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2023</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 480,000	\$ --	\$ 115,000	\$ 365,000	\$ 120,000
Capital Outlay Certificates	8,935,000	--	390,000	8,545,000	419,887
Plus: Unamortized Premiums	537,958	--	29,887	508,071	--
QSCB Bonds	<u>1,978,000</u>	<u>--</u>	<u>--</u>	<u>1,978,000</u>	<u>116,353</u>
	11,930,958	--	534,887	11,396,071	656,240
Other Liabilities:					
Direct Borrowing Notes	6,814	--	3,222	3,592	1,105
Econ Development Loan	154,315	--	22,045	132,270	22,045
OPEB	<u>26,704</u>	<u>520</u>	<u>5,735</u>	<u>21,489</u>	<u>--</u>
Total Long-Term Liabilities	<u>\$ 12,118,791</u>	<u>\$ 520</u>	<u>\$ 565,889</u>	<u>\$ 11,553,422</u>	<u>\$ 679,390</u>

Webster Area School District No. 18-5

Notes to the Financial Statements

June 30, 2023

9. Long-Term Liabilities: (Continued)

Other Post-employment benefits typically have been liquidated from the General Fund.

Other Post Employment Benefits Payable

Payable from the fund to which payroll expenditures are charged \$ 21,489

Debt payable at June 30, 2023 is comprised of the following:

Webster Area School District No 18-5 Qualified School Construction Bonds, Series 2010	During August 2010, the School District entered into an agreement to receive Qualified School Construction Bonds in the amount of \$1,978,000. There is an interest rate of 5% assessed on these bonds. Interest paid semi-annually. Sinking fund required to provide for total payment in 2027.	\$ 1,978,000
Webster Area School District No 18-5 General Obligation Bonds, Series 2015	During April 2015, the School District entered into an agreement to receive General Obligation Bonds in the amount of \$1,125,000. There is a varying interest rate from 0.7-2.5% assessed on these bonds. Final payment is July 2025. The Capital Projects Fund makes payment on this debt.	\$ 365,000
Webster Area School District No 18-5 Capital Outlay Certificates, Series 2022	During August 2022, the School District entered into an agreement to receive General Obligation Bonds in the amount of \$8,935,000. There is a varying interest rate from 2 to 4% assessed on these bonds. Final payment is August 2041. The Bond Redemption Fund makes payment on this debt.	\$ 8,545,000
Webster Area School District No 18-5 Direct Borrowing Note	During 2022, the School District entered into a lease financing agreement to purchase copiers in the amount of \$10,251.16. There is an interest rate of 3.0% assessed on this lease. Final payment is June 2026. The Capital Outlay Fund makes payment on this debt.	\$ 3,592

Webster Area School District No. 18-5

Notes to the Financial Statements

June 30, 2023

9. Long-Term Liabilities: (Continued)

Debt payable at June 30, 2023 is comprised of the following: (Continued)

Webster Area School District No 18-5, Economic Development Loan During July 2019, the School District received a \$ 132,270 \$220,450 energy efficiency school loan with a 0% interest rate. The maturity date is July 2028. The Capital Outlay Fund makes payments on this debt.

The annual requirements to amortize the General Obligation Bonds, Qualified School Construction Bonds, Capital Outlay Certificates and Direct Borrowing Notes outstanding at June 30, 2023, are as follows:

Year Ending June 30,	General Obligation Bonds		QSCB Bonds		Econ Dev Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 120,000	\$ 7,479	\$ 116,353	\$ 118,680	\$ 22,045	\$ --
2025	120,000	4,657	116,353	118,680	22,045	--
2026	125,000	1,594	116,353	118,680	22,045	--
2027	--	--	116,353	118,680	22,045	--
2028	--	--	116,353	118,680	22,045	--
2029-2032	--	--	1,396,235	771,420	22,045	--
Totals	<u>\$ 365,000</u>	<u>\$ 13,730</u>	<u>\$ 1,978,000</u>	<u>\$ 1,364,820</u>	<u>\$ 132,270</u>	<u>\$ --</u>

Year Ending June 30,	Direct Borrowing Notes		Capital Outlay Certificate		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 1,105	\$ --	\$ 419,887	\$ 244,600	\$ 679,390	\$ 370,759
2025	1,105	--	429,887	229,000	689,390	352,337
2026	1,105	--	434,887	213,000	699,390	333,274
2027	277	--	444,887	196,800	583,562	315,480
2028	--	--	449,887	180,200	588,285	298,880
2029-2033	--	--	2,364,435	695,000	3,782,715	1,466,420
2034-2038	--	--	2,444,548	460,500	2,444,548	460,500
2039-2042	--	--	2,064,653	149,100	2,064,653	149,100
Totals	<u>\$ 3,592</u>	<u>\$ --</u>	<u>\$ 9,053,071</u>	<u>\$ 2,368,200</u>	<u>\$ 11,531,933</u>	<u>\$ 3,746,750</u>

Webster Area School District No. 18-5

Notes to the Financial Statements

June 30, 2023

10. Restricted Net Position:

Restricted Net Position for the year ended June 30, 2023 was as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
Capital Outlay	Law	\$ 2,075,378
Special Education	Law	2,260,711
Debt Service	Debt Covenant	1,554,181
SDRS Pension Purposes	Law	<u>447,332</u>
Total		<u>\$ 6,337,602</u>

11. Interfund Transfers:

Transfers to/from other funds at June 30, 2023, consist of the following:

Transfer from the Capital Outlay Fund to the General Fund Under the allowable percentage permitted by SDCL 13-16-6 to supplement the General Fund Balance with	\$ 300,000
Transfer from the Capital Outlay Fund to the Debt Services Fund for payment to the sinking fund.	\$ 116,353

12. Pension Plan:

Plan Information:

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

Webster Area School District No. 18-5
Notes to the Financial Statements
June 30, 2023

12. Pension Plan: (Continued)

Benefits Provided:

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

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

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

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

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

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

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

Webster Area School District No. 18-5

Notes to the Financial Statements

June 30, 2023

12. Pension Plan: (Continued)

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the years ended June 30, 2023, 2021 and 2020, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 168,592
2022	160,666
2021	157,981

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

At June 30, 2022, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the School District as of this measurement period ending June 30, 2022 and reported by the School District as of June 30, 2023 are as follows:

Proportionate share of pension benefits	\$ 15,832,071
Less proportionate share of net pension restricted for pension	<u>15,842,670</u>
Proportionate share of net pension (asset)	<u>\$ (10,599)</u>

At June 30, 2023, the School District reported an (asset) of (\$10,599) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2022 and the total pension (asset) 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, 2022, the School District's proportion was 0.11215200%, which is a decrease of -0.0092541% from its proportion measured as of June 30, 2021.

Webster Area School District No. 18-5

Notes to the Financial Statements

June 30, 2023

12. Pension Plan: (Continued)

For the year ended June 30, 2023, the School District recognized a reduction of pension expense of (\$54,979). At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 201,762	\$ 688
Changes in assumption	673,644	590,359
Net difference between projected and actual earnings on pension plan investments	--	25,400
Changes in proportion and difference between district contributions and proportionate share of contributions	9,270	88
District contributions subsequent to the measurement date	168,592	--
Total	<u>\$ 1,053,268</u>	<u>\$ 616,535</u>

\$168,592 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	
2024	\$ 73,934
2025	149,711
2026	(166,163)
2027	210,658
Total	<u>\$ 268,140</u>

Actuarial Assumptions:

The total pension (asset) in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Graded by years of service, 7.66% at entry to 3.15% after 25 years of service
Discount	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	2.10%

Webster Area School District No. 18-5

Notes to the Financial Statements

June 30, 2023

12. Pension Plan: (Continued)

Mortality Rates:

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above

Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2021.

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

Webster Area School District No. 18-5

Notes to the Financial Statements

June 30, 2023

12. Pension Plan: (Continued)

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, 2022 (see the discussion of the pension plan’s investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	58.0%	3.7%
Fixed income	30.0%	1.1%
Real estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	<u>100.0%</u>	

Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 2,200,799</u>	<u>\$ (10,599)</u>	<u>\$ (1,817,895)</u>

Pension Plan Fiduciary Net Position:

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

Payables to the Pension Plan:

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

Webster Area School District No. 18-5

Notes to the Financial Statements

June 30, 2023

13. Postemployment Healthcare Plan:

Plan Description: Webster Area School District has a pooled defined benefit medical plan administered by either the Sanford Health Plan or DakotaCare. The Plan provides medical and prescription drug insurance benefits to eligible retirees and their spouses. After eligibility for retiree benefits is established, retirees must pay premiums until they are eligible for Medicare. SDCL 6-1-16 specifically allows any school district to provide health insurance for retiring employees and their immediate families. The liability exists because of an implicit subsidy of costs of the benefits to retirees of the district. The Plan issues a publicly available actuarial report that includes required supplementary information. That report may be obtained by writing to the Webster Area School District, 1001 E. Main St, Vermillion, SD 57069, or by calling (605) 677-7000.

Funding Policy: The District funds the other post-employment benefits on a pay-as-you-go basis. Because the District does not use a trust fund to administer the financing of the other post-employment benefits, no separate financial statements are required.

Employees covered by benefit terms: At June 30, 2023, the following employees were covered by the benefit terms:

Retirees currently receiving benefit payments	1
Active employees	64
	<u>65</u>

Actuarial Methods and Assumptions: Where consistent with the terms of the plan, actuarial assumptions have utilized the assumptions for the South Dakota Retirement System (SDRS as provided in the July 8, 2022 Actuarial Valuation Report. See Note 12 – Pension Note).

Changes in the Total OPEB Liability:

Beginning of Year Balances	\$	26,704
Interest		520
Benefit payments		<u>(5,735)</u>
End of Year Balances	\$	<u>21,489</u>

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

The following presents the total OPEB liability of the District calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate of 2.16%.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 21,824	\$ 21,489	\$ 21,163

Webster Area School District No. 18-5

Notes to the Financial Statements

June 30, 2023

13. Postemployment Healthcare Plan: (Continued)

For the year ended June 30, 2023, the School District recognized OPEB expense of \$2,014. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumption	\$ --	\$ (7,874)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (revenue) as follows:

<u>Year Ended June 30,</u>	
2024	\$ (4,657)
2025	(2,671)
2026	(546)
Total	<u>\$ (7,874)</u>

14. Joint Ventures:

Northeast Educational Services Cooperative

The School District also participates in the Northeast Educational Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing educational support services to the member School Districts.

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

Arlington School District No. 38-1	3.43%	Florence School District No. 14-1	3.59%
Britton-Hecla School District No. 45-4	5.56%	Hamlin School District No. 28-3	10.29%
Castlewood School District No. 28-1	3.92%	Henry School District No. 14-2	2.22%
Clark School District No. 12-2	5.56%	Iroquois School District No. 02-3	2.74%
DeSmet School District No. 38-2	3.66%	Lake Preston School District No. 38-3	2.16%
Deubrook School District No. 5-6	4.79%	Oldham-Ramona School District No. 39-5	1.78%
Deuel School District No. 19-4	6.50%	Rosholt School District No. 54-4	2.97%
Elkton School District No. 5-3	5.02%	Rutland School District No. 39-4	2.31%
Enemy Swim Day School	1.78%	Sioux Valley School District No. 5-5	8.52%
Estelline School District No. 28-2	3.22%	Summit School District No. 54-6	1.96%
Waubay School District No. 18-3	2.16%	Willow Lake School District No. 12-3	3.54%
Waverly School District No. 14-5	3.16%	Wilmot School District No. 54-7	2.68%
Webster Area School District No. 18-5	6.48%		

Webster Area School District No. 18-5

Notes to the Financial Statements

June 30, 2023

14. Joint Ventures: (Continued)

The co-op's governing board is composed of one school board member representative from each member School District. The superintendent from each member school serves on an advisory board. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget. The School District retains no equity in the Net Position of the joint venture but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above. Separate financial statements for this joint venture are available from the Northeast Educational Services Cooperative.

At June 30, 2023, this joint venture had the following:

	<u>June 30, 2023</u>
Total Assets	\$ 5,404,902
Total Liabilities	\$ 993,554
Total Net Position	\$ 4,411,348

15. Risk Management:

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2023, the School District managed its risks as follows:

Employee Health Insurance:

The School District joined the Northern Plains Insurance Pool. This is a risk pool currently operating as a common risk management and insurance program for local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases coverage from either Sanford Health Plan or DAKOTACARE Administrative Services with the premiums it receives from the members. The coverage includes the option of four different plans with a deductible from \$2,000 to \$4,000.

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

Liability Insurance:

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

Webster Area School District No. 18-5
Notes to the Financial Statements
June 30, 2023

15. Risk Management: (Continued)

Workers' Compensation:

The School District purchases liability insurance for worker's compensation from a commercial carrier. The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. The School District has Assigned Fund Balance in the General Fund in the amount of \$61,547 for the payment of future unemployment benefits.

During the year ended June 30, 2023, two claims from unemployment were paid. There are no future expected claims at this time.

16. Subsequent Events:

Subsequent events have been evaluated through the date of the independent auditor's report which is the date the financial statements were available to be issued.

Required Supplementary Information

Webster Area School District No. 18-5

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis
June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,927,106	\$ 1,927,106	\$ 2,096,855	\$ 169,749
Prior years' ad valorem taxes	12,000	12,000	7,543	(4,457)
Utility taxes	210,000	210,000	211,860	1,860
Penalties and interest on taxes	10,000	10,000	7,671	(2,329)
Earnings on Investments and Deposits	1,000	1,000	14,852	13,852
Cocurricular Activities:				
Admissions	33,000	33,000	35,317	2,317
Rentals	--	--	2,095	2,095
Other student activity income	7,000	7,000	12,282	5,282
Other Revenue from Local Sources:				
Rentals	48,000	48,000	59,229	11,229
Contributions and donations	10,500	10,500	13,325	2,825
Services provided other school districts	15,000	15,000	15,000	--
Charges for services	10,000	10,000	7,251	(2,749)
Other	9,000	9,000	12,787	3,787
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	54,000	54,000	45,219	(8,781)
Revenue in lieu of taxes	2,500	2,500	2,143	(357)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	1,408,189	1,408,189	1,371,037	(37,152)
Restricted grants-in-aid	2,066	2,066	2,066	--
Other state revenues	1,116	1,116	616	(500)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through an intermediate source	3,000	3,000	276	(2,724)
Restricted grants-in-aid received directly from federal government	5,334	5,334	5,334	--
Restricted grants-in-aid received from federal government through the state	326,298	326,298	396,054	69,756
Total Revenues	\$ 4,095,109	\$ 4,095,109	\$ 4,318,812	\$ 223,703

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

Webster Area School District No. 18-5

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis
June 30, 2023 (Continued)

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Instructional Services:				
Regular Programs:				
Elementary	\$ 968,022	\$ 968,022	\$ 966,389	\$ 1,633
Middle/junior high	488,005	488,005	473,175	14,830
High school	731,465	731,465	722,559	8,906
Preschool	23,059	23,059	22,865	194
Special Programs:				
Educationally deprived	127,306	127,306	104,128	23,178
Support Services:				
Students:				
Attendance and social work	91,414	91,414	182,826	(91,412)
Guidance	134,038	134,038	132,660	1,378
Health	39,096	39,096	39,096	--
Instructional Staff:				
Improvement of instruction	14,146	14,146	11,661	2,485
Educational media	179,752	179,752	131,379	48,373
General Administration:				
Board of education	125,138	125,138	123,862	1,276
Executive administration	121,670	121,670	118,230	3,440
School Administration:				
Office of the principal	210,076	210,076	208,600	1,476
Other	1,098	1,098	499	599
Business:				
Fiscal services	116,455	116,455	115,954	501
Operation and maintenance of plant	463,661	463,661	464,501	(840)
Student transportation	528,725	528,725	523,573	5,152
Cocurricular Activities:				
Male activities	57,910	57,910	55,230	2,680
Female activities	35,455	35,455	33,873	1,582
Transportation	50,000	50,000	49,298	702
Combined activities	170,275	170,275	143,080	27,195
Total Expenditures	4,676,766	4,676,766	4,623,438	53,328
Excess of Revenues Over Expenditures	(581,657)	(581,657)	(304,626)	277,031
Other Financing Sources:				
Operating transfers in	469,891	469,891	300,000	(169,891)
Total Other Financing Sources:	469,891	469,891	300,000	(169,891)
Net Change in Fund Balances	(111,766)	(111,766)	(4,626)	107,140
Fund Balance, Beginning of Year	1,385,586	1,385,586	1,385,586	--
Fund Balance, End of Year	\$ 1,273,820	\$ 1,273,820	\$ 1,380,960	\$ 107,140

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

Webster Area School District No. 18-5

Required Supplementary Information – Budgetary Comparison Schedule – Capital Outlay Fund – Budgetary Basis June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,665,000	\$ 1,665,000	\$ 1,672,489	\$ 7,489
Prior years' ad valorem taxes	4,000	4,000	5,246	1,246
Penalties and interest on taxes	2,500	2,500	2,941	441
Earnings on Investments & Deposits	--	--	20,664	20,664
Other Revenue from Local Sources:				
Contributions and Donations	10,255	10,255	20,338	10,083
Other	--	--	150	150
Revenue from Intermediate Sources:				
Revenue in lieu of taxes	1,000	1,000	794	(206)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through intermediate source	3,000	3,000	--	(3,000)
Restricted grants-in-aid received from directly from federal government	10,902	10,902	10,902	--
Restricted grants-in-aid received from federal government through the state	702,599	702,599	786,312	83,713
Other	100,000	100,000	101,461	1,461
Total Revenues	2,499,256	2,499,256	2,621,297	122,041
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	45,712	45,712	48,349	(2,637)
Middle/junior high	15,100	15,100	12,387	2,713
High school	54,390	54,390	57,153	(2,763)
Support Services:				
Instructional Staff:				
Educational media	31,500	31,500	37,578	(6,078)
School Administration:				
Office of the principal	450	450	410	40
Business:				
Fiscal services	8,700	8,700	7,997	703
Facilities acquisition and construction	652,281	652,281	645,290	6,991
Operation and maintenance of plant	74,160	74,160	157,420	(83,260)
Student transportation	142,100	142,100	156,355	(14,255)
Food services	3,300	3,300	3,260	40
Debt Services:	899,260	899,260	904,150	(4,890)
Cocurricular Activities:				
Combined Activities	43,495	43,495	35,624	7,871
Total Expenditures	1,970,448	1,970,448	2,065,973	(95,525)
Excess of Revenue Over (Under)				
Expenditures	528,808	528,808	555,324	26,516
Other Financing Sources (Uses):				
Transfers out	(528,808)	(528,808)	(416,353)	112,455
Total Other Financing Sources (Uses)	(528,808)	(528,808)	(416,353)	112,455
Net Change in Fund Balances	--	--	138,971	138,971
Fund Balance, Beginning of Year	1,931,772	1,931,772	1,931,772	--
Fund Balance, End of Year	\$ 1,931,772	\$ 1,931,772	\$ 2,070,743	\$ 138,971

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

Webster Area School District No. 18-5
Required Supplementary Information – Budgetary Comparison
Schedule – Special Education Fund – Budgetary Basis
June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 970,500	\$ 970,500	\$ 1,030,921	\$ 60,421
Prior years' ad valorem taxes	2,000	2,000	3,551	1,551
Penalties and interest on taxes	1,500	1,500	1,953	453
Earnings on Investments & Deposits	--	--	28,107	28,107
Other Revenue from Local Sources:				
Charges for services	3,000	3,000	2,445	(555)
Revenue in lieu of taxes	--	--	464	464
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through an intermediate source	2,500	2,500	--	(2,500)
Total Revenues	<u>979,500</u>	<u>979,500</u>	<u>1,067,441</u>	<u>87,941</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for special education	858,325	858,325	594,533	263,792
Support Services:				
Students:				
Psychological	13,800	13,800	11,184	2,616
Speech pathology	26,400	26,400	13,583	12,817
Student therapy services	16,600	16,600	8,479	8,121
General Administration				
Board of education	870	870	581	289
Special Education:				
Administrative costs	61,505	61,505	61,248	257
Transportation costs	2,000	2,000	--	2,000
Other special education costs	--	--	17,215	(17,215)
Total Expenditures	<u>979,500</u>	<u>979,500</u>	<u>706,823</u>	<u>272,677</u>
Net Change in Fund Balance	--	--	360,618	360,618
Fund Balance, Beginning of Year	<u>1,897,062</u>	<u>1,897,062</u>	<u>1,897,062</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 1,897,062</u>	<u>\$ 1,897,062</u>	<u>\$ 2,257,680</u>	<u>\$ 360,618</u>

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

Webster Area School District No. 18-5
Notes to the Required Supplementary Information
June 30, 2023

1. Budgets and Budgetary Accounting:

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

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

2. USGAAP/Budgetary Accounting Basis Differences:

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

Webster Area School District No. 18-5
Schedule of Changes in Total OPEB Liability
June 30, 2023

Changes in the Total OPEB Liability:

Beginning of Year Balances	\$ 26,704
Interest	520
Benefit payments	<u>(5,735)</u>
End of Year Balances	<u><u>\$ 21,489</u></u>

Webster Area School District No. 18-5

Schedule of the Proportionate Share of the Net Pension Liability (Asset) South Dakota Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.1121520%	0.1160270%	0.1214061%	0.1266946%	0.1269884%	0.1267812%	0.1284007%	0.1241348%	0.1316469%
District's proportionate share of net pension liability (asset)	\$ (10,599)	\$ (888,568)	\$ (5,273)	\$ (13,426)	\$ (2,962)	\$ (11,506)	\$ 433,725	\$ (526,491)	\$ (948,462)
District's covered-employee payroll	\$ 2,677,757	\$ 2,633,009	\$ 2,664,492	\$ 2,693,785	\$ 2,639,947	\$ 2,575,925	\$ 2,441,529	\$ 2,266,333	\$ 2,302,138
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.40%	33.75%	0.20%	0.50%	0.11%	0.45%	17.76%	23.23%	-41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

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

Note: The information disclosed for each fiscal year is reported as the measurement date of the collective net pension liability (asset) which is June 30 of the preceding year.

Webster Area School District No. 18-5
Schedule of the School District Contributions South Dakota Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 168,592	\$ 160,666	\$ 157,981	\$ 159,870	\$ 161,627	\$ 158,398	\$ 154,556	\$ 146,492	\$ 135,981	\$ 138,129
Contributions in relation to the contractually-required contribution	<u>168,592</u>	<u>160,666</u>	<u>157,981</u>	<u>159,870</u>	<u>161,627</u>	<u>158,398</u>	<u>154,556</u>	<u>146,492</u>	<u>135,981</u>	<u>138,129</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 2,809,860	\$ 2,677,757	\$ 2,633,009	\$ 2,664,492	\$ 2,693,785	\$ 2,639,947	\$ 2,575,925	\$ 2,441,529	\$ 2,266,333	\$ 2,302,138
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

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

Webster Area School District No. 18-5

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions For the Year Ended June 30, 2023

Changes from Prior Valuation

The June 30, 2022, Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2021, Actuarial Valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

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

Benefit Provision Changes

During the 2022 Legislative Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

Actuarial Assumption Changes

As a result of an experience analysis covering the period from July 1, 2016, to June 30, 2021, and presented to the SDRS Board of Trustees in April and June 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for this June 30, 2022, actuarial valuation.

The changes to economic assumptions included increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was changed to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

Webster Area School District No. 18-5

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions For the Year Ended June 30, 2023 (Continued)

As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021, Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027, Actuarial Valuation and any recommended 7 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027, Actuarial Valuation.

Actuarial Method Changes

Actuarial method changes with minor impact were implemented for this valuation after recommendation by Cavanaugh Macdonald Consulting as part of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Account are now calculated using the entry age normal cost method with normal costs based on the expected value of these accounts rather than the actual balance.

Supplementary Information

Webster Area School District No. 18-5
Schedule of Expenditures of Federal Awards
June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:			
Pass through the S.D Department of Education			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	NA	\$ 23,825
Cash Assistance: (Note 3)			
School Breakfast Program	10.553	NA	11,458
National School Lunch Program	10.555	NA	107,809
Supply Chain Assistance	10.555	NA	<u>15,235</u>
Total Child Nutrition Cluster			<u>158,327</u>
Total U.S. Department of Agriculture			<u>158,327</u>
U.S. Department of the Interior			
Pass Through Codington County:			
Federal Wetlands	15.227	NA	<u>276</u>
Total U.S. Department of Interior			<u>276</u>
U.S. Department of Education:			
Pass through the S.D. Department of Education:			
Small Rural School Grant	84.358	NA	16,236
Title I Grants to Local Educational Agencies	84.010	NA	110,082
Improving Teacher Quality State Grants	84.367	NA	36,932
Career and Technical Education - Basic Grants to States	84.048A	NA	45,723
Career and Technical Education - National Programs	84.051	NA	1,308
School Support and Academic Enrichment Grants	84.424	NA	13,619
Cares ESSER funds (Note 4)	84.425D	NA	147,714
Cares ESSER funds ARP (Note 4)	84.425U	NA	<u>644,162</u>
Total U.S. Department of Education			<u>1,015,776</u>
Grand Total			<u>\$ 1,174,379</u>

Webster Area School District No. 18-5
Schedule of Expenditures of Federal Awards
June 30, 2023 (Continued)

1. Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Webster Area School District No. 18-5 under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Webster Area School District No. 18-5, it is not intended to and does not present the financial position, changes in net position, or cash flows of Webster Area School District No. 18-5.

2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Webster Area School District has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Federal Reimbursement:

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

4. Major Federal Financial Assistance Program:

This represents a Major Federal Assistance Program.