

**Webster Area School District No. 18-5**

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

**For the Year Ended  
June 30, 2022**

**Webster Area School District No. 18-5**

School District Officials

June 30, 2022

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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, 2022 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated April 5, 2023.

**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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Handwritten signature in cursive script that reads "CIO of Elk Point LLC".

Elk Point, South Dakota

April 5, 2023



**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, 2022. 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, 2022.

**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.

A handwritten signature in cursive script that reads "ELO Prof LLC".

Elk Point, South Dakota  
April 5, 2023



**Webster Area School District No. 18-5**  
 Schedule of Prior and Current Audit Findings and Questioned Costs  
 Year ended June 30, 2022

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**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**

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**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? \_\_\_\_\_ Yes      x   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	ESSERS Cluster
10.555 & 10.553	Child Nutrition Cluster

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

\$   750,000  

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes      x   No

**Section II - Financial Statement Findings**

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

**Section III - Federal Award Findings and Questioned Costs**

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



## **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, 2022, 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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for 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 April 5, 2023 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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  
April 5, 2023

**Webster Area School District No. 18-5**  
Statement of Net Position – Government-Wide  
June 30, 2022

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b>Assets:</b>			
Cash and cash equivalents	\$ 14,642,569	\$ 118,002	\$ 14,760,571
Certificate of deposits	70,000	--	70,000
Accounts receivable	306,041	3,555	309,596
Taxes receivable	2,113,284	--	2,113,284
Inventories	--	2,184	2,184
NPIP Deposits	40,378	--	40,378
<b>Restricted Assets:</b>			
Cash and cash equivalents	1,386,685	--	1,386,685
Net pension asset	888,569	--	888,569
<b>Capital assets:</b>			
Land and construction in progress	148,313	--	148,313
Other capital assets, net of depreciation	6,860,618	61,587	6,922,205
<b>Total Assets</b>	<b>26,456,457</b>	<b>185,328</b>	<b>26,641,785</b>
<b>Deferred Outflows of Resources:</b>			
Pension-related deferred outflows	1,220,663	--	1,220,663
<b>Total Deferred Outflows of Resources</b>	<b>1,220,663</b>	<b>--</b>	<b>1,220,663</b>
<b>Liabilities:</b>			
Unearned revenue	--	26,825	26,825
Accounts payable	29,629	849	30,478
Contracts payable	335,440	7,868	343,308
Benefits payable	85,098	--	85,098
<b>Long-term liabilities:</b>			
Due within one year	676,507	--	676,507
Due in more than one year	11,442,284	--	11,442,284
<b>Total Liabilities</b>	<b>12,568,958</b>	<b>35,542</b>	<b>12,604,500</b>
<b>Deferred Inflows of Resources:</b>			
Taxes levied for future periods	2,095,954	--	2,095,954
Pension related deferred inflows	1,716,879	--	1,716,879
OPEB-related deferred inflows	12,531	--	12,531
<b>Total Deferred Inflows of Resources</b>	<b>3,825,364</b>	<b>--</b>	<b>3,825,364</b>
<b>Net Position:</b>			
Net investment in capital assets	4,311,246	61,587	4,372,833
<b>Restricted for:</b>			
Capital outlay	1,937,562	--	1,937,562
Special education	1,900,998	--	1,900,998
Debt service	1,386,919	--	1,386,919
Health Insurance purposes	40,378	--	40,378
SDRS pension purposes	392,353	--	392,353
Unrestricted	1,313,342	88,199	1,401,541
<b>Total Net Position</b>	<b>\$ 11,282,798</b>	<b>\$ 149,786</b>	<b>\$ 11,432,584</b>

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, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total	
		Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-Type Activities		
Governmental Activities:							
Instruction	\$ 3,123,637	\$ --	\$ 628,860	\$ (2,494,777)	\$ --	\$ (2,494,777)	
Support services	2,600,481	241,213	--	(2,359,268)	--	(2,359,268)	
Interest on long-term debt	216,932	--	--	(216,932)	--	(216,932)	
Cocurricular activities	354,244	49,143	--	(305,101)	--	(305,101)	
Total Governmental Activities	<u>6,295,294</u>	<u>290,356</u>	<u>628,860</u>	<u>(5,376,078)</u>	<u>--</u>	<u>(5,376,078)</u>	
Business-Type Activities:							
Food service	302,971	37,389	324,286	--	58,704	58,704	
Driver's education	10,346	10,320	--	--	(26)	(26)	
Total Business Type Activities	<u>313,317</u>	<u>47,709</u>	<u>324,286</u>	<u>--</u>	<u>58,678</u>	<u>58,678</u>	
Total Primary Government	<u>\$ 6,608,611</u>	<u>\$ 338,065</u>	<u>\$ 953,146</u>	<u>(5,376,078)</u>	<u>58,678</u>	<u>(5,317,400)</u>	
General Revenues:							
Taxes:							
				4,826,031	--	4,826,031	
				204,184	--	204,184	
Revenue from state sources:							
				1,331,186	--	1,331,186	
				4,700	--	4,700	
				4,555	33	4,588	
				206,676	--	206,676	
				(14,719)	14,719	--	
				<u>6,562,613</u>	<u>14,752</u>	<u>6,577,365</u>	
				Change in Net Position	1,186,535	73,430	1,259,965
				<b>Net Position - Beginning of Year</b>	<u>10,096,263</u>	<u>76,356</u>	<u>10,172,619</u>
				<b>Net Position - End of Year</b>	<u>\$ 11,282,798</u>	<u>\$ 149,786</u>	<u>\$ 11,432,584</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, 2022

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>QSCB Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>							
Cash and cash equivalents	\$ 1,354,981	\$ 1,931,804	\$ 1,961,382	\$ --	\$ --	\$ 9,394,402	\$ 14,642,569
Investments-certificates of deposit	70,000	--	--	--	--	--	70,000
Taxes receivable - current	860,523	732,325	482,249	20,858	--	--	2,095,955
Taxes receivable - delinquent	7,369	5,790	3,936	234	--	--	17,329
Accounts receivable	61,973	--	--	--	--	--	61,973
Due from other governments	244,068	--	--	--	--	--	244,068
Deposits NPIP Reserve	40,378	--	--	--	--	--	40,378
Restricted cash and cash equivalents	--	--	--	--	1,386,685	--	1,386,685
Total Assets	<u>\$ 2,639,292</u>	<u>\$ 2,669,919</u>	<u>\$ 2,447,567</u>	<u>\$ 21,092</u>	<u>\$ 1,386,685</u>	<u>\$ 9,394,402</u>	<u>\$ 18,558,957</u>
<b>Liabilities and Fund Balances:</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 29,522	\$ 32	\$ 75	\$ --	\$ --	\$ --	\$ 29,629
Contracts payable	286,042	--	49,398	--	--	--	335,440
Payroll deductions and withholding and employer matching payable	70,251	--	14,847	--	--	--	85,098
Total Liabilities	<u>385,815</u>	<u>32</u>	<u>64,320</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>450,167</u>
Deferred Inflows of Resources:							
Taxes levied for future period	860,522	732,325	482,249	20,858	--	--	2,095,954
Delinquent taxes not available	7,369	5,790	3,936	234	--	--	17,329
Total Deferred Inflows of Resources	<u>867,891</u>	<u>738,115</u>	<u>486,185</u>	<u>21,092</u>	<u>--</u>	<u>--</u>	<u>2,113,283</u>
<b>Fund Balances:</b>							
Nonspendable	40,378	--	--	--	--	--	40,378
Restricted:							
For capital outlay	--	1,931,772	--	--	--	--	1,931,772
For special education	--	--	1,897,062	--	--	--	1,897,062
For debt service	--	--	--	--	1,386,685	--	1,386,685
For capital projects	--	--	--	--	--	9,394,402	9,394,402
Assigned	57,585	--	--	--	--	--	57,585
Unassigned	1,287,623	--	--	--	--	--	1,287,623
Total Fund Balances	<u>1,385,586</u>	<u>1,931,772</u>	<u>1,897,062</u>	<u>--</u>	<u>1,386,685</u>	<u>9,394,402</u>	<u>15,995,507</u>
Total Liabilities and Fund Balances	<u>\$ 2,639,292</u>	<u>\$ 2,669,919</u>	<u>\$ 2,447,567</u>	<u>\$ 21,092</u>	<u>\$ 1,386,685</u>	<u>\$ 9,394,402</u>	<u>\$ 18,558,957</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 Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2022

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Total Fund Balances - Governmental Funds \$ 15,995,507

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. 7,008,931

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

GO Bonds	(480,000)	
QSCB Bonds	(1,978,000)	
Direct Borrowing Note	(6,814)	
Other Postemployment Benefits Payable	(26,704)	
Capital Outlay Certificates	(9,472,958)	
Econ Development Note	<u>(154,315)</u>	(12,118,791)

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 17,329

Proportionate Share of Net Pension Asset 888,569

Pension and OPEB related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (1,729,410)

Pension and OPEB related deferred outflows are components of non current assets and therefore are not reported in the funds. 1,220,663

Net Position - Governmental Activities \$ 11,282,798



**Webster Area School District No. 18-5**  
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
June 30, 2022

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>QSCB Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>							
Revenue from Local Sources:							
Taxes:							
Ad valorem taxes	\$ 1,967,341	\$ 1,673,942	\$ 1,106,558	\$ 48,924	\$ --	\$ --	\$ 4,796,765
Prior years' ad valorem taxes	7,698	4,818	3,211	188	--	--	15,915
Utility taxes	204,184	--	--	--	--	--	204,184
Penalties and interest on taxes	8,416	3,082	2,061	95	--	--	13,654
Earnings on Investments and Deposits	746	696	797	--	450	1,866	4,555
Cocurricular Activities:							
Admissions	34,656	--	--	--	--	--	34,656
Rentals	2,044	--	--	--	--	--	2,044
Other Student Activity Income	12,443	--	--	--	--	--	12,443
Other Revenue from Local Sources:							
Rentals	54,476	--	--	--	--	--	54,476
Contributions and donations	10,925	43,481	800	--	--	--	55,206
Services provided other school districts	15,000	--	--	--	--	--	15,000
Judgments	6,000	--	--	--	--	--	6,000
Charges for services	8,554	--	2,769	--	--	--	11,323
Other	14,752	2,364	--	--	--	--	17,116
Revenue from Intermediate Sources:							
County Sources:							
County apportionment	59,302	--	--	--	--	--	59,302
Revenue in lieu of taxes	3,253	--	--	--	--	--	3,253
Revenue from State Sources:							
Grants-in-Aid:							
Unrestricted grants-in-aid	1,331,186	--	--	--	--	--	1,331,186
Restricted grants-in-aid	4,550	--	--	--	--	--	4,550
Other state revenue	150	--	--	--	--	--	150
Revenue from Federal Sources:							
Grants-in-Aid:							
Unrestricted grants-in-aid received from federal government through an intermediate source	8,767	--	--	--	--	--	8,767
Restricted grants-in-aid received directly from federal government	6,687	11,513	--	--	--	--	18,200
Restricted grants-in-aid received from federal government through the state	344,229	156,949	--	--	--	--	501,178
Other	--	100,715	--	--	--	--	100,715
<b>Total Revenues</b>	<u>\$ 4,105,359</u>	<u>\$ 1,997,560</u>	<u>\$ 1,116,196</u>	<u>\$ 49,207</u>	<u>\$ 450</u>	<u>\$ 1,866</u>	<u>\$ 7,270,638</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, 2022 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>QSCB Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Expenditures</b>							
Instructional Services:							
Regular Programs:							
Elementary	\$ 882,728	\$ 140,795	\$ --	\$ --	\$ --	\$ --	\$ 1,023,523
Middle/junior high	441,602	1,016	--	--	--	--	442,618
High school	686,067	100,705	--	--	--	--	786,772
Preschool	21,506	--	--	--	--	--	21,506
Special Programs:							
Programs for special education	--	--	524,511	--	--	--	524,511
Educationally seprived	101,970	--	--	--	--	--	101,970
Support Services:							
Students:							
Attendance and social work	80,030	--	--	--	--	--	80,030
Guidance	126,817	--	--	--	--	--	126,817
Health	37,466	--	--	--	--	--	37,466
Psychological	--	--	10,136	--	--	--	10,136
Speech pathology	--	--	18,925	--	--	--	18,925
Student therapy services	--	--	12,383	--	--	--	12,383
Instructional Staff:							
Improvement of instruction	13,329	--	--	--	--	--	13,329
Educational media	167,281	22,232	--	--	--	--	189,513
General Administration:							
Board of education	97,546	--	646	--	--	--	98,192
Executive administration	115,878	--	--	--	--	--	115,878
School Administration:							
Office of the principal	201,821	--	--	--	--	--	201,821
Other	743	--	--	--	--	--	743
Business:							
Fiscal services	109,106	7,571	--	--	--	--	116,677
Facilities acquisition and construction	--	378,242	--	--	--	--	378,242
Operation and maintenance of plant	455,787	62,817	--	--	--	--	518,604
Student transportation	487,319	83,632	--	--	--	--	570,951
Food services	--	18,014	--	--	--	--	18,014
Special Education:							
Administrative costs	--	--	60,123	--	--	--	60,123
Other special education costs	--	--	5,132	--	--	--	5,132

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, 2022 (Continued)

	<b>General</b>	<b>Capital Outlay</b>	<b>Special Education</b>	<b>Bond Redemption</b>	<b>QSCB Debt Service</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
Debt Services:	\$ --	\$ 270,527	\$ --	\$ 48,959	\$ --	\$ 80,426	\$ 399,912
Cocurricular Activities:							
Male activities	52,535	--	--	--	--	--	52,535
Female activities	34,297	--	--	--	--	--	34,297
Transportation	52,799	8,113	--	--	--	--	60,912
Combined activities	137,244	39,874	--	--	--	--	177,118
Capital Outlay	--	128,196	--	--	--	--	128,196
Total Expenditures	<u>4,303,871</u>	<u>1,261,734</u>	<u>631,856</u>	<u>48,959</u>	<u>--</u>	<u>80,426</u>	<u>6,326,846</u>
Excess of Revenue Over (Under) Expenditures	(198,512)	735,826	484,340	248	450	(78,560)	943,792
<b>Other Financing Sources (Uses):</b>							
Transfer in	150,000	8,485	--	--	116,353	--	274,838
Transfer out	--	(266,353)	--	(8,485)	--	--	(274,838)
General Long-Term Debt Issued	--	--	--	--	--	9,472,962	9,472,962
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>(257,868)</u>	<u>--</u>	<u>(8,485)</u>	<u>116,353</u>	<u>9,472,962</u>	<u>9,472,962</u>
Net Change in Fund Balances	(48,512)	477,958	484,340	(8,237)	116,803	9,394,402	10,416,754
<b>Fund Balance, Beginning of Year</b>	<u>1,434,098</u>	<u>1,453,814</u>	<u>1,412,722</u>	<u>8,237</u>	<u>1,269,882</u>	<u>--</u>	<u>5,578,753</u>
<b>Fund Balance, End of Year</b>	<u>\$ 1,385,586</u>	<u>\$ 1,931,772</u>	<u>\$ 1,897,062</u>	<u>\$ --</u>	<u>\$ 1,386,685</u>	<u>\$ 9,394,402</u>	<u>\$ 15,995,507</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, 2022

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Net Change in Fund Balances - Total Governmental Funds \$ 10,416,754

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. 128,196

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. (302,918)

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	158,000	
Direct Borrowing Note	2,932	
Econ Development Note	<u>22,048</u>	182,980

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." (303)

The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements. (9,472,962)

Changes in the pension related deferred outflows/inflows are direct components of liabilities (assets) and are not reflected in the governmental funds. 228,900

Changes in the OPEB related deferred outflows/inflows are direct components of noncurrent liability (asset) and are not reflected in the governmental funds. 5,888

Change in net position of governmental activities \$ 1,186,535

**Webster Area School District No. 18-5**  
Statement of Net Position – Proprietary Funds  
June 30, 2022

	<b>Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>Other Enterprise Fund</b>	<b>Totals</b>
<b>Assets:</b>			
Current Assets:			
Cash and cash equivalents	\$ 113,219	\$ 4,783	\$ 118,002
Accounts receivable, net	3,555	--	3,555
Inventory of Supplies	688	--	688
Inventory - stores for resale	966	--	966
Inventory of donated food	530	--	530
Total Current Assets	<u>118,958</u>	<u>4,783</u>	<u>123,741</u>
Noncurrent Assets:			
Machinery and equipment - local funds	199,973	--	199,973
Less accumulated depreciation	(138,386)	--	(138,386)
Total Noncurrent Assets	<u>61,587</u>	<u>--</u>	<u>61,587</u>
Total Assets	<u>\$ 180,545</u>	<u>\$ 4,783</u>	<u>\$ 185,328</u>
<b>Liabilities:</b>			
Current Liabilities:			
Contracts payable	\$ 7,868	\$ --	\$ 7,868
Accounts Payable	--	849	849
Unearned revenue	26,825	--	26,825
Total Current Liabilities	<u>34,693</u>	<u>849</u>	<u>35,542</u>
<b>Net Position:</b>			
Net investment in capital assets	61,587	--	61,587
Unrestricted net position	84,265	3,934	88,199
Total Net Position	<u>\$ 145,852</u>	<u>\$ 3,934</u>	<u>\$ 149,786</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, 2022

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
<b>Operating Revenue:</b>			
Tuition and Fees:			
Driver's Education Fees	\$ --	\$ 10,320	\$ 10,320
Food Sales:			
Student	29,944	--	29,944
Adult	3,927	--	3,927
Other	3,518	--	3,518
Total Operating Revenue	<u>37,389</u>	<u>10,320</u>	<u>47,709</u>
<b>Operating Expenses:</b>			
Salaries	84,727	8,251	92,978
Employee benefits	26,532	733	27,265
Purchased services	5,900	125	6,025
Supplies	4,810	1,237	6,047
Cost of sales - purchased	143,407	--	143,407
Cost of sales - donated	25,748	--	25,748
Other	49	--	49
Depreciation	11,798	--	11,798
Total Operating Expenses	<u>302,971</u>	<u>10,346</u>	<u>313,317</u>
Operating Income(Loss)	(265,582)	(26)	(265,608)
<b>Nonoperating Revenues/Expenses:</b>			
Investment Earnings	33	--	33
State grants	744	--	744
Federal grants	297,563	--	297,563
Donated food	25,979	--	25,979
Total Nonoperating Revenue/ (Expenses)	<u>324,319</u>	<u>--</u>	<u>324,319</u>
Income (Loss) Before Contributions	58,737	(26)	58,711
Capital Contributions	<u>14,719</u>	<u>--</u>	<u>14,719</u>
Change in Net Position	73,456	(26)	73,430
<b>Net Position - Beginning of Year</b>	<u>72,396</u>	<u>3,960</u>	<u>76,356</u>
<b>Net Position - End of Year</b>	<u>\$ 145,852</u>	<u>\$ 3,934</u>	<u>\$ 149,786</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, 2022

	<b>Food Service Fund</b>	<b>Other Enterprise Fund</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities</b>			
Cash receipts from customers	\$ 47,926	\$ 10,320	\$ 58,246
Cash payments to suppliers	(151,979)	(1,326)	(153,305)
Cash payments to employees	(108,178)	(8,984)	(117,162)
Net Cash (Used) by Operating Activities	<u>(212,231)</u>	<u>10</u>	<u>(212,221)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Cash reimbursements - state	744	--	744
Cash reimbursements - federal	297,563	--	297,563
Net Cash Provided by Noncapital Financing Activities	<u>298,307</u>	<u>--</u>	<u>298,307</u>
<b>Cash Flows from Investing Activities:</b>			
Investment Earnings	33	--	33
Net Cash Provided by Investing Activities	<u>33</u>	<u>--</u>	<u>33</u>
<b>Net Change in Cash and Cash Equivalents</b>	86,109	10	86,119
<b>Cash and Cash Equivalents, Beginning of Year</b>	27,110	4,773	31,883
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 113,219</u>	<u>\$ 4,783</u>	<u>\$ 118,002</u>
<b>Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:</b>			
Operating (Loss)	\$ (265,582)	\$ (26)	\$ (265,608)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	11,798	--	11,798
Value of commodities used	25,748	--	25,748
Change in Assets and Liabilities:			
Accounts receivable	(3,125)	--	(3,125)
Inventory	2,187	--	2,187
Deferred revenue	13,662	--	13,662
Contracts payable	3,081	--	3,081
Accounts payable	--	36	36
Net cash (used) by operating activities:	<u>\$ (212,231)</u>	<u>\$ 10</u>	<u>\$ (212,221)</u>
<b>Noncash Investing, Capital and Financing Activities</b>			
Equipment purchased by Capital Outlay Fund	\$ 14,719	\$ --	\$ 14,719
Value of commodities received	<u>\$ 25,979</u>	<u>\$ --</u>	<u>\$ 25,979</u>

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, 2022

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	<b>Private -Purpose Trust Funds</b>	<b>Custodial Funds</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ --	\$ 137,338
Investments - Certificates of Deposit	11,708	295
Accounts Receivable	--	860
Beneficial Interest in Assets Held with SD Community Foundation	48,710	--
Total Assets	\$ 60,418	\$ 138,493
<b>Net Position:</b>		
Held for student organizations	\$ --	\$ 138,493
Held in Trust for Scholarships	48,362	--
Held in Trust for Teacher Awards	12,056	--
Total Net Position	\$ 60,418	\$ 138,493

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, 2022

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	<b>Private-Purpose Trust Funds</b>	<b>Custodial Funds</b>
<b>Additions:</b>		
Student Activities	\$ --	\$ 729,740
Contributions and Donations	2,401	--
<b>Total Additions</b>	<b>2,401</b>	<b>729,740</b>
<b>Deductions:</b>		
Loss on Investments	6,605	--
Trust deductions for scholarships awarded	4,445	--
Payments for student activities	--	718,739
<b>Total Deductions</b>	<b>11,050</b>	<b>718,739</b>
Change in Net Position	<b>(8,649)</b>	<b>11,001</b>
<b>Net Position - Beginning</b>	<b>69,067</b>	<b>127,492</b>
<b>Net Position - Ending</b>	<b>\$ 60,418</b>	<b>\$ 138,493</b>

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, 2022

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#### 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, 2022

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#### 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, 2022

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### 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, 2022

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**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, 2022

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#### 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, 2022 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, 2022

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**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 the estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized.

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

The total June 30, 2022 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, 2022 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, 2022

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#### 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. 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.



## Webster Area School District No. 18-5

### Notes to the Financial Statements

June 30, 2022

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#### 1. Summary of Significant Accounting Policies: (Continued)

##### i. Deferred Inflows and Deferred Outflows of Resources:

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

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.

##### j. Proprietary Funds Revenue and Expense Classifications:

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

##### k. Cash and Cash Equivalents:

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

##### l. 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.

## Webster Area School District No. 18-5

Notes to the Financial Statements

June 30, 2022

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### 1. Summary of Significant Accounting Policies: (Continued)

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.

m. Application of Net Position:

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

n. 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:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted 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.

**Webster Area School District No. 18-5**

Notes to the Financial Statements

June 30, 2022

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**1. Summary of Significant Accounting Policies: (Continued)**

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, 2022, is \$57,585.

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

**o. Pensions:**

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

**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.

**Webster Area School District No. 18-5**

Notes to the Financial Statements

June 30, 2022

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

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, 2022, the School District had the following investments:

External Investment Pools:	<u>Fair Value</u>
SDFIT - Government Cash Reserves	\$ 1,387,384

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:

\$ 1,386,685	For Debt Service, by debt covenants (sinking funds required to be in a separate account)
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## Webster Area School District No. 18-5

### Notes to the Financial Statements

June 30, 2022

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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.

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, 2022.

#### 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 \$244,068 due from various county, school, state and federal governments.

**Webster Area School District No. 18-5**

Notes to the Financial Statements

June 30, 2022

**8. Changes in Capital Assets:**

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

	<u>6/30/2021</u>			<u>6/30/2022</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 148,313	\$ --	\$ --	\$ 148,313
Total capital assets not being depreciated	<u>148,313</u>	<u>--</u>	<u>--</u>	<u>148,313</u>
Capital assets being depreciated:				
Buildings	6,776,066	--	--	6,776,066
Improvements	3,475,418	--	--	3,475,418
Machinery & Equipment	596,027	121,921	--	717,948
Library Books	288,113	6,275	2,190	292,198
Total capital assets being depreciated	<u>11,135,624</u>	<u>128,196</u>	<u>2,190</u>	<u>11,261,630</u>
Less accumulated depreciation for:				
Buildings	2,498,735	149,096	--	2,647,831
Improvements	954,486	109,710	--	1,064,196
Machinery & Equipment	492,367	42,651		535,018
Library Books	154,696	1,461	2,190	153,967
Total accumulated depreciation	<u>4,100,284</u>	<u>302,918</u>	<u>2,190</u>	<u>4,401,012</u>
Total capital assets being depreciated, net	<u>7,035,340</u>	<u>(174,722)</u>	<u>--</u>	<u>6,860,618</u>
Net Capital Assets	<u>\$ 7,183,653</u>	<u>\$ (174,722)</u>	<u>\$ --</u>	<u>\$ 7,008,931</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 222,739
Support services	50,797
Co-curricular activities	29,382
Total Depreciation Expense	<u>\$ 302,918</u>

**Webster Area School District No. 18-5**

Notes to the Financial Statements

June 30, 2022

**8. Changes in Capital Assets: (Continued)**

	<u>Balance 6/30/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2022</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Equipment	\$ 185,254	\$ 14,719	\$ --	\$ 199,973
Less accumulated depreciation for:				
Less: Accumulated Depreciation	<u>126,588</u>	<u>11,797</u>	<u>--</u>	<u>138,385</u>
Total capital assets being depreciated, net	<u>\$ 58,666</u>	<u>\$ 2,922</u>	<u>\$ --</u>	<u>\$ 61,588</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	<u>\$ 11,797</u>

**9. Long-Term Liabilities:**

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

	<u>6/30/2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2022</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Bonds Payable:					
General Obligation Bonds	\$ 638,000	\$ --	\$ 158,000	\$ 480,000	\$ 115,000
Capital Outlay Certificates	--	8,935,000	--	8,935,000	390,000
Plus: Unamortized Premiums	--	537,958	--	537,958	29,887
QSCB Bonds	<u>1,978,000</u>	<u>--</u>	<u>--</u>	<u>1,978,000</u>	<u>116,353</u>
	2,616,000	9,472,958	158,000	11,930,958	651,240
Other Liabilities:					
Direct Borrowing Notes	9,746	--	2,932	6,814	3,222
Econ Development Loan	176,363	--	22,048	154,315	22,045
OPEB	<u>27,935</u>	<u>4,375</u>	<u>5,606</u>	<u>26,704</u>	<u>--</u>
Total Long-Term Liabilities	<u>\$ 2,830,044</u>	<u>\$ 9,477,333</u>	<u>\$ 188,586</u>	<u>\$ 12,118,791</u>	<u>\$ 676,507</u>

## Webster Area School District No. 18-5

### Notes to the Financial Statements

June 30, 2022

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#### 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	\$	26,704

Debt payable at June 30, 2022 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.	\$	480,000
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.	\$	8,935,000
Webster Area School District No 18-5 Direct Borrowing Note	During 2018, the School District entered into a lease financing agreement to purchase copiers in the amount of \$10,404.60. There is an interest rate of 0.5% assessed on this lease. Final payment is June 2023. The Capital Outlay Fund makes payment on this debt.	\$	2,117



**Webster Area School District No. 18-5**

Notes to the Financial Statements

June 30, 2022

**9. Long-Term Liabilities: (Continued)**

Debt payable at June 30, 2022 is comprised of the following: (Continued)

Webster Area School District No 18-5 Direct Borrowing Note	During 2020, the School District entered into a lease financing agreement to purchase copiers in the amount of \$5,526. There is an interest rate of 0.0% assessed on this lease. Final payment is June 2027. The Capital Outlay Fund makes payment on this debt.	\$ 4,697
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Webster Area School District No 18-5, Economic Development Loan	During July 2019, the School District received a \$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.	\$ 154,315
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The annual requirements to amortize the General Obligation Bonds, Qualified School Construction Bonds, Capital Outlay Certificates and Direct Borrowing Notes outstanding at June 30, 2022, are as follows:

Year Ending June 30,	General Obligation Bonds		QSCB Bonds		Econ Dev Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 115,000	\$ 10,095	\$ 116,353	\$ 118,680	\$ 22,045	\$ --
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	--
2028-2032	--	--	1,396,235	771,420	44,090	--
<b>Totals</b>	<b>\$ 480,000</b>	<b>\$ 23,825</b>	<b>\$ 1,978,000</b>	<b>\$ 1,364,820</b>	<b>\$ 154,315</b>	<b>\$ --</b>

Year Ending June 30,	Direct Borrowing Notes		Capital Outlay Certificate		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 3,222	\$ 11	\$ 419,887	\$ 119,981	\$ 676,507	\$ 248,767
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
2028-2032	--	--	2,334,435	755,700	3,774,760	1,527,120
2033-2037	--	--	2,449,435	506,500	2,449,435	506,500
2038-2042	--	--	2,539,653	222,600	2,539,653	222,600
<b>Totals</b>	<b>\$ 6,814</b>	<b>\$ 11</b>	<b>\$ 9,472,958</b>	<b>\$ 2,488,181</b>	<b>\$ 12,092,087</b>	<b>\$ 3,876,837</b>

**Webster Area School District No. 18-5**

Notes to the Financial Statements

June 30, 2022

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**10. Restricted Net Position:**

Restricted Net Position for the year ended June 30, 2022 was as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
Capital Outlay	Law	\$ 1,937,562
Special Education	Law	1,900,998
Insurance Purposes	Law	40,378
Debt Service	Debt Covenant	1,386,919
SDRS Pension Purposes	Law	392,353
Total		<u>\$ 5,658,210</u>

**11. Interfund Transfers:**

Transfers to/from other funds at June 30, 2022, consist of the following:

Transfer from the Bond Redemption Fund to the Capital Outlay Fund to close Bond Fund	\$ 8,485
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 unused Capital	\$ 150,000
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, 2022

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### 12. Pension Plan: (Continued)

#### Benefits Provided:

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

Members That were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B 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 3<sup>rd</sup> 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 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

**Webster Area School District No. 18-5**

Notes to the Financial Statements

June 30, 2022

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**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, 2022, 2021 and 2020, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 160,666
2021	157,981
2020	159,870

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

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

Proportionate share of pension liability	\$ 16,088,733
benefits	<u>16,977,302</u>
Proportionate share of net pension (asset)	<u>\$ (888,569)</u>

At June 30, 2022, the School District reported an (asset) of (\$888,569) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2021 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, 2021, the School District's proportion was 0.11602700%, which is a decrease of -0.0053791% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District recognized a reduction of pension expense of \$228,898. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

**Webster Area School District No. 18-5**

Notes to the Financial Statements

June 30, 2022

**12. Pension Plan: (Continued)**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 31,902	\$ 2,330
Changes in assumption	1,021,844	444,982
Net difference between projected and actual earnings on pension plan investments	--	1,269,338
Changes in proportion and difference between district contributions and proportionate share of contributions	6,250	229
District contributions subsequent to the measurement date	160,666	--
Total	<u>\$ 1,220,662</u>	<u>\$ 1,716,879</u>

\$160,666 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

<b>Year Ended June 30,</b>	
2023	\$ (160,644)
2024	(108,797)
2025	(30,341)
2026	(357,100)
Total	<u>\$ (656,882)</u>

Actuarial Assumptions:

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

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

## Webster Area School District No. 18-5

### Notes to the Financial Statements

June 30, 2022

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#### 12. Pension Plan: (Continued)

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	58.0%	4.3%
Fixed income	30.0%	1.6%
Real estate	10.0%	4.6%
Cash	2.0%	0.9%
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).

**Webster Area School District No. 18-5**

Notes to the Financial Statements

June 30, 2022

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**12. Pension Plan: (Continued)**

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>\$ 1,438,813</u>	<u>\$ (888,568)</u>	<u>\$ (2,777,860)</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.

**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, 2022, the following employees were covered by the benefit terms:

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

**Webster Area School District No. 18-5**

Notes to the Financial Statements

June 30, 2022

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**13. Postemployment Healthcare Plan: (Continued)**

*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	\$ 27,935
Interest	574
Effect on assumptions, changes or inputs	3,801
Benefit payments	<u>(5,606)</u>
End of Year Balances	<u><u>\$ 26,704</u></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	\$ 27,287	\$ 26,704	\$ 26,142

For the year ended June 30, 2022, the School District recognized OPEB expense of \$2,014. At June 30, 2022, 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	\$ --	\$ (12,531)

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>	
2023	\$ (4,657)
2024	(4,657)
2025	(2,671)
2026	<u>(546)</u>
Total	<u><u>\$ (12,531)</u></u>



## Webster Area School District No. 18-5

### Notes to the Financial Statements

June 30, 2022

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#### 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%	Florence School District No. 14-1	4%
Britton-Hecla School District No. 45-4	5%	Hamlin School District No. 28-3	11%
Castlewood School District No. 28-1	4%	Henry School District No. 14-2	2%
Clark School District No. 12-2	5%	Iroquois School District No. 02-3	3%
DeSmet School District No. 38-2	4%	Lake Preston School District No. 38-3	2%
Deubrook School District No. 5-6	5%	Oldham-Ramona School District No. 39-5	2%
Deuel School District No. 19-4	7%	Rosholt School District No. 54-4	3%
Elkton School District No. 5-3	5%	Rutland School District No. 39-4	2%
Enemy Swim Day School	2%	Sioux Valley School District No. 5-5	8%
Estelline School District No. 28-2	3%	Summit School District No. 54-6	2%
Waubay School District No. 18-3	2%	Willow Lake School District No. 12-3	4%
Waverly School District No. 14-5	3%	Wilmot School District No. 54-7	3%
Webster Area School District No. 18-5	6%		

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 31, 2022, this joint venture had the following:

	<u>June 30, 2022</u>
Total Assets	\$ 3,308,211
Total Deferred Outflows of Resources	\$ 1,235,902
Total Liabilities	\$ 505,610
Total Deferred Inflows of Resources	\$ 1,720,147
Total Net Position	\$ 2,318,356

#### 15. Risk Management:

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

## Webster Area School District No. 18-5

Notes to the Financial Statements

June 30, 2022

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### 15. Risk Management: (Continued)

#### 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.

#### 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 \$57,585 for the payment of future unemployment benefits.

During the year ended June 30, 2022, two claims from unemployment were paid. There are no future expected claims at this time.

### 16. Significant Contingencies – Litigation:

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

### 17. 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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,900,709	\$ 1,900,709	\$ 1,967,341	\$ 66,632
Prior years' ad valorem taxes	18,000	18,000	7,698	(10,302)
Utility taxes	210,000	210,000	204,184	(5,816)
Penalties and interest on taxes	10,000	10,000	8,416	(1,584)
Earnings on Investments and Deposits	2,000	2,000	746	(1,254)
Cocurricular Activities:				
Admissions	29,000	29,000	34,656	5,656
Rentals	--	--	2,044	2,044
Other student activity income	4,000	4,000	12,443	8,443
Other Revenue from Local Sources:				
Rentals	46,500	46,500	54,476	7,976
Contributions and donations	--	1,968	10,925	8,957
Services provided other school districts	15,000	15,000	15,000	--
Judgments	--	--	6,000	6,000
Charges for services	10,000	10,000	8,554	(1,446)
Other	7,500	7,500	14,752	7,252
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	40,000	40,000	59,302	19,302
Revenue in lieu of taxes	4,000	4,000	3,253	(747)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	1,291,491	1,291,491	1,331,186	39,695
Restricted grants-in-aid	--	4,450	4,550	100
Other state revenues	500	500	150	(350)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through the state	3,000	3,000	--	(3,000)
Unrestricted grants-in-aid received from federal government through an intermediate source	--	--	8,767	8,767
Restricted grants-in-aid received directly from federal government	--	6,687	6,687	--
Restricted grants-in-aid received from federal government through the state	151,172	386,479	344,229	(42,250)
<b>Total Revenues</b>	<b>\$ 3,742,872</b>	<b>\$ 3,991,284</b>	<b>\$ 4,105,359</b>	<b>\$ 114,075</b>

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, 2022 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Expenditures</b>				
Instructional Services:				
Regular Programs:				
Elementary	\$ 903,069	\$ 903,269	\$ 882,728	\$ 20,541
Middle/junior high	455,704	455,704	441,602	14,102
High school	659,775	708,764	686,067	22,697
Preschool	22,082	22,082	21,506	576
Special Programs:				
Educationally deprived	105,650	139,397	101,970	37,427
Support Services:				
Students:				
Attendance and social work	--	80,030	80,030	--
Guidance	128,785	196,785	126,817	69,968
Health	36,590	36,590	37,466	(876)
Instructional Staff:				
Improvement of instruction	4,500	12,448	13,329	(881)
Educational media	171,952	176,295	167,281	9,014
General Administration:				
Board of education	95,735	95,735	97,546	(1,811)
Executive administration	118,390	118,390	115,878	2,512
School Administration:				
Office of the principal	224,655	224,665	201,821	22,844
Other	1,100	1,100	743	357
Business:				
Fiscal services	111,200	111,200	109,106	2,094
Operation and maintenance of plant	410,560	435,815	455,787	(19,972)
Student transportation	448,200	487,200	487,319	(119)
Cocurricular Activities:				
Male activities	52,786	52,786	52,535	251
Female activities	31,896	34,696	34,297	399
Transportation	50,000	52,800	52,799	1
Combined activities	135,606	141,206	137,244	3,962
Total Expenditures	<u>4,168,235</u>	<u>4,486,957</u>	<u>4,303,871</u>	<u>183,086</u>
Excess of Revenues Over Expenditures	<u>(425,363)</u>	<u>(495,673)</u>	<u>(198,512)</u>	<u>297,161</u>
<b>Other Financing Sources:</b>				
Operating transfers in	<u>465,363</u>	<u>465,363</u>	<u>150,000</u>	<u>(315,363)</u>
Total Other Financing Sources:	<u>465,363</u>	<u>465,363</u>	<u>150,000</u>	<u>(315,363)</u>
Net Change in Fund Balances	40,000	(30,310)	(48,512)	(18,202)
<b>Fund Balance, Beginning of Year</b>	<u>1,434,098</u>	<u>1,434,098</u>	<u>1,434,098</u>	<u>--</u>
<b>Fund Balance, End of Year</b>	<u>\$ 1,474,098</u>	<u>\$ 1,403,788</u>	<u>\$ 1,385,586</u>	<u>\$ (18,202)</u>

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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,665,000	\$ 1,665,000	\$ 1,673,942	\$ 8,942
Prior years' ad valorem taxes	4,000	4,000	4,818	818
Penalties and interest on taxes	2,500	2,500	3,082	582
Earnings on Investments & Deposits	--	--	696	696
Other Revenue from Local Sources:				
Contributions and Donations	--	32,481	43,481	11,000
Other	--	--	2,364	2,364
Revenue from Intermediate Sources:				
Revenue in lieu of taxes	1,000	1,000	--	(1,000)
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	--	11,514	11,513	(1)
Restricted grants-in-aid received from federal government through the state	--	156,949	156,949	--
Other	100,000	100,000	100,715	715
<b>Total Revenues</b>	<b>1,775,500</b>	<b>1,976,444</b>	<b>1,997,560</b>	<b>21,116</b>
<b>Expenditures</b>				
Instructional Services:				
Regular Programs:				
Elementary	63,000	165,729	140,795	24,934
Middle/junior high	27,600	27,600	1,016	26,584
High school	100,620	102,510	100,705	1,805
Support Services:				
Instructional Staff:				
Educational media	42,895	43,790	28,507	15,283
Business:				
Fiscal services	7,500	7,500	7,571	(71)
Facilities acquisition and construction	--	--	378,242	(378,242)
Operation and maintenance of plant	584,048	595,708	107,588	488,120
Student transportation	77,250	135,950	142,332	(6,382)
Food services	--	15,000	18,014	(3,014)
Debt Services:	264,375	264,375	270,527	(6,152)
Cocurricular Activities:				
Transportation	--	--	8,113	(8,113)
Combined Activities	35,500	60,570	58,324	2,246
<b>Total Expenditures</b>	<b>1,202,788</b>	<b>1,418,732</b>	<b>1,261,734</b>	<b>156,998</b>
Excess of Revenue Over (Under)				
Expenditures	572,712	557,712	735,826	178,114
<b>Other Financing Sources (Uses):</b>				
Transfers In	--	--	8,485	8,485
Transfers out	(117,000)	(117,000)	(266,353)	(149,353)
<b>Total Other Financing Sources (Uses)</b>	<b>(117,000)</b>	<b>(117,000)</b>	<b>(257,868)</b>	<b>(140,868)</b>
Net Change in Fund Balances	455,712	440,712	477,958	37,246
<b>Fund Balance, Beginning of Year</b>	<b>1,453,814</b>	<b>1,453,814</b>	<b>1,453,814</b>	<b>--</b>
<b>Fund Balance, End of Year</b>	<b>\$ 1,909,526</b>	<b>\$ 1,894,526</b>	<b>\$ 1,931,772</b>	<b>\$ 37,246</b>

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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,075,000	\$ 1,075,000	\$ 1,106,558	\$ 31,558
Prior years' ad valorem taxes	2,000	2,000	3,211	1,211
Penalties and interest on taxes	1,500	1,500	2,061	561
Earnings on Investments & Deposits	--	--	797	797
Other Revenue from Local Sources:				
Contributions and Donations	--	800	800	--
Charges for services	4,000	4,000	2,769	(1,231)
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)
<b>Total Revenues</b>	<u>1,085,000</u>	<u>1,085,800</u>	<u>1,116,196</u>	<u>30,396</u>
<b>Expenditures</b>				
Instructional Services:				
Special Programs:				
Programs for special education	861,879	862,679	524,511	338,168
Support Services:				
Students:				
Guidance services	650	650	--	650
Psychological	16,600	16,600	10,136	6,464
Speech pathology	34,200	34,200	18,925	15,275
Student therapy services	56,600	56,600	12,383	44,217
General Administration				
Board of education	870	870	646	224
Special Education:				
Administrative costs	51,201	60,310	60,123	187
Transportation costs	20,000	20,000	--	20,000
Other special education costs	43,000	43,000	5,132	37,868
<b>Total Expenditures</b>	<u>1,085,000</u>	<u>1,094,909</u>	<u>631,856</u>	<u>463,053</u>
<b>Net Change in Fund Balance</b>	--	(9,109)	484,340	493,449
<b>Fund Balance, Beginning of Year</b>	<u>1,412,722</u>	<u>1,412,722</u>	<u>1,412,722</u>	<u>--</u>
<b>Fund Balance, End of Year</b>	<u>\$ 1,412,722</u>	<u>\$ 1,403,613</u>	<u>\$ 1,897,062</u>	<u>\$ 493,449</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, 2022

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**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, 2022

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<b>Changes in the Total OPEB Liability:</b>	
Beginning of Year Balances	\$ 27,935
Interest	574
Effect on assumptions, changes or inputs	3,801
Benefit payments	<u>(5,606)</u>
End of Year Balances	<u><u>\$ 26,704</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>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)	0.1160270%	0.1214061%	0.1266946%	0.1269884%	0.1267812%	0.1284007%	0.1241348%	0.1316469%
District's proportionate share of net pension liability (asset)	\$ (888,568)	\$ (5,273)	\$ (13,426)	\$ (2,962)	\$ (11,506)	\$ 433,725	\$ (526,491)	\$ (948,462)
District's covered-employee payroll	\$ 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	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)	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>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	\$ 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>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>
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
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%

\* 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, 2022

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#### Changes from Prior Valuation

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

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

#### Benefit Provision Changes

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

#### Actuarial Assumption Changes

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

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

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

#### Actuarial Method Changes

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

## Supplementary Information

**Webster Area School District No. 18-5**  
Schedule of Expenditures of Federal Awards  
June 30, 2022

<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 (Note 4):			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	NA	\$ 25,979
Cash Assistance:			
School Breakfast Program (Note 3)	10.553	NA	28,753
National School Lunch Program (Note 3)	10.555	NA	268,810
Total Child Nutrition Cluster			<u>323,542</u>
Total U.S. Department of Agriculture			<u>323,542</u>
U.S. Department of the Interior			
Pass Through Minnehaha County:			
Federal Wetlands	15.227	NA	<u>8,767</u>
Total U.S. Department of Interior			<u>8,767</u>
U.S. Department of Education:			
Pass through the S.D. Department of Education:			
Title I Grants to Local Educational Agencies	84.010	NA	102,603
Career and Technical Education	84.048	NA	22,393
Small Rural School Grant	84.358	NA	18,200
Supporting Effective Instruction State Grant	84.367	NA	34,000
Student Support and Academic Enrichment Program	84.424A	NA	12,376
Cares ESSER funds (Note 4)	84.425D	NA	<u>246,315</u>
Total ESSER Funds			<u>246,315</u>
Total U.S. Department of Education			<u>435,887</u>
Grand Total			<u>\$ 768,196</u>

**Webster Area School District No. 18-5**  
Schedule of Expenditures of Federal Awards  
June 30, 2022 (Continued)

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**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, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of 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.