

Willow Lake School District No. 12-3

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

**For the Year Ended
June 30, 2025**

Willow Lake School District No. 12-3

School District Officials

June 30, 2025

Board Members

Julayne Thoreson ----- Board President

Jared Knock-----Vice President

Tia Michalski----- Member

Trav Bratland----- Member

Randy Nelson ----- Member

Chris Lee-----Superintendent

Melissa Burke -----Business Manager

Willow Lake School District No. 12-3

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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
Willow Lake School District No. 12-3
Clark 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 Willow Lake School District No. 12-3, South Dakota (School District), as of June 30, 2025, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated March 2, 2026.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "CLO Prof LLC". The letters are cursive and somewhat stylized.

Elk Point, South Dakota
March 2, 2026



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

School Board
Willow Lake School District No. 12-3
Clark County, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Willow Lake School District No. 12-3, South Dakota (School District), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the School District’s major federal programs for the year ended June 30, 2025. The 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 Willow Lake School District No. 12-3, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

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 other 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 grant agreements applicable to School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Purpose of this Report

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



Elk Point, South Dakota
March 2, 2026

Willow Lake School District No. 12-3
 Schedule of Prior and Current Audit Findings and Questioned Costs
 Year Ended June 30, 2025

Schedule of Prior Audit Findings:

There were no prior audit findings.

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness identified:	_____ yes	_____ <u>x</u> no
Significant deficiencies identified not considered to be a material weakness:	_____ yes	_____ <u>x</u> none reported
Noncompliance material to financial statements noted?	_____ yes	_____ <u>x</u> no

Federal Awards:

Internal control over major program:		
Material weakness identified:	_____ yes	_____ <u>x</u> no
Significant deficiencies identified not considered to be material weaknesses:	_____ yes	_____ <u>x</u> no

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	_____ <u>x</u> no
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Identification of major program:

ALN Number	Name of Federal Program
84.425U	American Rescue Plan Elementary and Secondary School Emergency Relief

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

\$ 750,000

Auditee qualified as low-risk auditee?	_____ yes	_____ <u>x</u> no
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Section II - Financial Statement Findings

There are no current audit findings.

Section III - Federal Award Findings and Questioned Costs

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



Independent Auditor's Report

School Board
Willow Lake School District No. 12-3
Clark 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 Willow Lake School District No. 12-3, South Dakota (School District), as of June 30, 2025, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Willow Lake School District No. 12-3 as of June 30, 2025, 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 (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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the 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 Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, the Schedule of the School District Contributions, and the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) 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.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2026, on our consideration of the School District's internal control over financial reporting and on 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 School District's internal control over financial reporting and compliance.



Elk Point, South Dakota
March 2, 2026

Willow Lake School District No. 12-3
Management Discussion and Analysis (MD&A)
June 30, 2025

This section of Willow Lake School District 12-3's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2025. Please read it in conjunction with the School's financial statements, which follow this section.

Financial Highlights

- The School's net position from governmental and business-type activities (government-wide statements) was \$7,125,620 this is an increase of \$733,662 from prior year.
- During the year, the School's revenues generated from taxes and other revenues, of the governmental activities, was \$6,072,052. The total governmental activities expenses for the fiscal year ending June 30, 2025 were \$5,334,141.

Overview of the Financial Statements

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.
 1. The governmental funds statements tell how basic services, e.g., regular and special education, were financed in the short-term as well as what remains for future spending.
 2. Proprietary fund statements offer short and long-term financial information about the activities that the school operates like a business and the activities that provide services for its other programs and activities, i.e., internal service activities. The proprietary funds operated by the school are the Food Service Operation and Other Enterprise Funds.
 3. Fiduciary fund statements provide information about the financial relationships – like scholarship plans for graduating students – in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1

**Required Components of
Willow Lake School's Annual Financial Report**

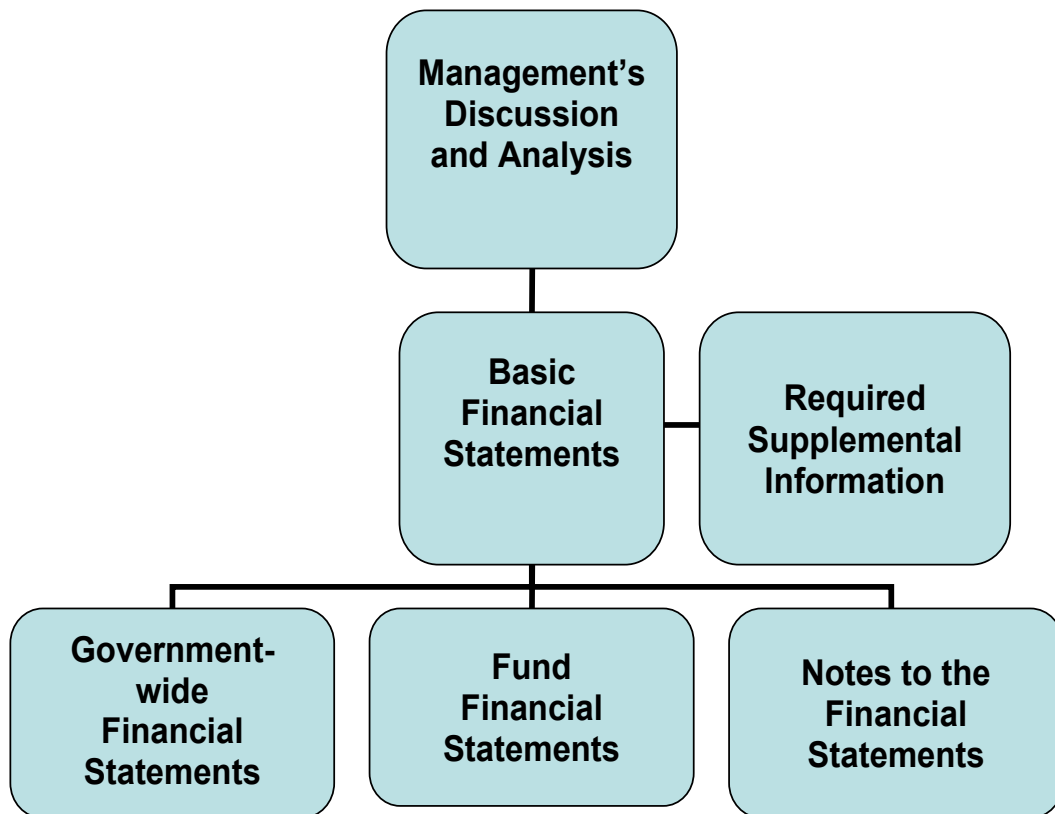


Figure A-2 summarizes the major features of the School's financial statements, including the portion of the School government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Willow Lake School District No. 12-3
Management Discussion and Analysis (MD&A)
June 30, 2025

Figure A-2

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

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

Willow Lake School District No. 12-3
Management Discussion and Analysis (MD&A)
June 30, 2025

Government-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

- State law requires some of the funds
- The School Board establishes other funds to control and manage money for particular purposes (like the Scholarship Trust)

Willow Lake School District No. 12-3
Management Discussion and Analysis (MD&A)
June 30, 2025

The School has three generic kinds of funds:

- **Governmental Funds** - Most of the School's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily convert to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page that explains the relationship (or differences) between them.
- **Proprietary Funds** - Services for which the School charges customers a fee is generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both short and long-term financial information. The Food Service and Enterprise Funds are proprietary funds maintained by the school.
- **Fiduciary Funds** - The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School's fiduciary activities are reported in a separate statement of net position and a statement of changes in net position. We exclude these activities from the School's government-wide financial statements because the School cannot use these assets to finance its operations.

Willow Lake School District No. 12-3
Management Discussion and Analysis (MD&A)
June 30, 2025

Financial Analysis of the School as a Whole

Net Position

The School's combined net position increased as follows:

Table A-1
Willow Lake School District 12-3
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2024	2025	2024	2025	2024	2025	2024-2025
Current and Other Assets	\$ 5,726,038	\$ 4,834,046	\$ 31,101	\$ 22,578	\$ 5,757,139	\$ 4,856,624	-15.64%
Capital Assets (Net of Depreciation)	13,132,035	17,011,804	10,183	4,412	13,142,218	17,016,216	29.48%
Total Assets	18,858,073	21,845,850	41,284	26,990	18,899,357	21,872,840	15.73%
Pension Related Deferred Outflows	682,677	621,100	--	--	682,677	621,100	-9.02%
Total Deferred Outflows or Resources	682,677	621,100	--	--	682,677	621,100	-9.02%
Long-Term Liabilities Outstanding	12,083,687	14,229,181	--	--	12,083,687	14,229,181	17.76%
Other Liabilities	686,044	714,390	20,114	10,879	706,158	725,269	2.71%
Total Liabilities	12,769,731	14,943,571	20,114	10,879	12,789,845	14,954,450	16.92%
Pension Related Deferred Inflows	400,231	414,677	--	--	400,231	414,677	3.61%
Total Deferred Inflows of Resources	400,231	414,677	--	--	400,231	414,677	3.61%
Net Investment in Capital Assets	2,446,103	3,226,242	10,183	4,412	2,456,286	3,230,654	31.53%
Restricted	2,734,258	2,675,850	--	--	2,734,258	2,675,850	-2.14%
Unrestricted	1,190,427	1,206,610	10,987	11,699	1,201,414	1,218,309	1.41%
Total Net Position	6,370,788	7,108,702	21,170	16,111	6,391,958	7,124,813	11.47%
Beginning Net Position	5,328,463	6,370,788	39,550	21,170	5,368,013	6,391,958	19.07%
Increase (Decrease) in Net Position	\$ 1,042,325	\$ 737,914	\$ (18,380)	\$ (5,059)	\$ 1,023,945	\$ 732,855	28.43%
Percentage of Increase (Decrease) in Net Position	19.56%	11.58%	-46.47%	-23.90%	19.07%	11.47%	

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

Willow Lake School District No. 12-3
Management Discussion and Analysis (MD&A)
June 30, 2025

Changes in Net Position

The School's total revenues totaled \$6,251,181 (See table A-4). Approximately 55% of the School's revenue comes from property taxes, with another 28% coming from State Aid . (See Table A-2).

Table A-2
Willow Lake School District 12-3
Sources of Revenues
Fiscal Year 2025

Taxes	\$ 3,456,959	55.30%
State Sources	1,740,140	27.84%
Operating Grants & Contributions	808,068	12.93%
Charges For Services	100,657	1.60%
Other General Revenues	46,209	0.74%
Unrestricted Investment Earnings	99,148	1.59%
Total Revenue	\$ 6,251,181	100.00%

The School's expenses totaled \$5,518,326 (see table A-4) and covered a range of services, including instruction, support services, interest on long-term debt, other enterprise, food service, and co-curricular activities (See Table A-3).

Table A-3
Willow Lake School District 12-3
Statement of Expenditures
Fiscal Year 2025

Instruction	\$ 2,697,392	48.87%
Support Services	1,899,193	34.42%
Interest - on Long-Term Debt	489,293	8.87%
Cocurricular Activities	248,260	4.50%
Food Service	177,551	3.22%
Other Enterprise	6,637	0.12%
Total Expenditures	\$ 5,518,326	100.00%

Willow Lake School District No. 12-3
Management Discussion and Analysis (MD&A)
June 30, 2025

Governmental and Business-Type Activities

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

Table A-4
Willow Lake School District 12-3
Changes in Net Position

	<u>Government Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	
Revenues							
Program Revenues							
Charge for Services	\$ 18,102	\$ 20,817	\$ 80,368	\$ 79,840	\$ 98,470	\$ 100,657	2.22%
Operating Grants/ Contributions	416,208	709,016	92,643	99,052	508,851	808,068	58.80%
General Revenues							
Taxes	3,060,641	3,456,959	--	--	3,060,641	3,456,959	12.95%
Revenue State Sources	1,362,839	1,740,140	--	--	1,362,839	1,740,140	27.68%
Other general revenues	36,603	46,209	--	--	36,603	46,209	26.24%
Unrestricted Investment Earnings	400,828	98,911	362	237	401,190	99,148	-75.29%
	<u>5,295,221</u>	<u>6,072,052</u>	<u>173,373</u>	<u>179,129</u>	<u>5,468,594</u>	<u>6,251,181</u>	<u>14.31%</u>
Expenses							
Instruction	2,297,589	2,697,392	--	--	2,297,589	2,697,392	17.40%
Support Services	1,357,302	1,899,193	--	--	1,357,302	1,899,193	39.92%
Interest on long-term debt	414,139	489,293	--	--	414,139	489,293	18.15%
Co-curricular Activities	183,866	248,260	--	--	183,866	248,260	35.02%
Food Service	--	--	185,270	177,551	185,270	177,551	-4.17%
Other Enterprise	--	--	6,483	6,637	6,483	6,637	2.38%
	<u>4,252,896</u>	<u>5,334,138</u>	<u>191,753</u>	<u>184,188</u>	<u>4,444,649</u>	<u>5,518,326</u>	<u>24.16%</u>
Increase (Decrease) in Net Position	1,042,325	737,914	(18,380)	(5,059)	1,023,945	732,855	-28.43%
Beginning Net Position	5,328,463	6,370,788	39,550	21,170	5,368,013	6,391,958	19.07%
Ending Net Position	<u>\$ 6,370,788</u>	<u>\$ 7,108,702</u>	<u>\$ 21,170</u>	<u>\$ 16,111</u>	<u>\$ 6,391,958</u>	<u>\$ 7,124,813</u>	<u>11.47%</u>

Willow Lake School District No. 12-3
Management Discussion and Analysis (MD&A)
June 30, 2025

Governmental Activities

The School's governmental activities revenues totaled \$6,072,052 (See table A-4). This is \$776,831 more, or approximately a 14.67% increase from last year.

The School's governmental activities expenses totaled \$5,334,141 (see table A-4). This is \$1,081,245 or approximately a 25.42% increase from last year.

Business Type Activities

Revenues of the School's business-type activities increased by \$5,736 or approximately 3.32% and expenses decreased by \$7,565 or approximately 3.95%.

Financial Analysis of the School's Funds

Fund balances changed as follows: General Fund increased \$13,402 as a result of increased revenues and interfund transfers in. The Capital Outlay Fund decreased \$160,057 as a result of increased capital outlay expenditures and interfund transfers out. The Special Education Fund increased \$43,185 due to increased ad valorem taxes. The Bond Redemption Fund decreased \$172 mainly because of increased debt service expenditures. The Capital Projects Fund decreased \$953,840 mainly due to construction work in progress for the School Renovation Project.

Overall, the cumulative governmental fund balances decreased \$1,057,482 from \$3,868,549 at the end of FY 2024 to \$2,811,067 at June 30, 2025.

Budgetary Highlights

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

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.

Willow Lake School District No. 12-3
Management Discussion and Analysis (MD&A)
June 30, 2025

Capital Asset Administration

By the end of 2025, the school had invested \$17,016,216 (net of depreciation) in a broad range of capital assets. This amount represents an increase of \$3,873,998 (including additions and deductions, or a 29.48% increase over last year. At the end of 2025, the School had the following changes in Capital Assets (See Table A-5).

Table A-5
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2024	2025	2024	2025		
Land	\$ 16,800	\$ 16,800	\$ --	\$ --	\$ --	0.00%
Construction in progress	8,903,411	12,260,469	--	--	3,357,058	37.71%
Buildings & Improvements	3,826,160	3,571,084	--	--	(255,076)	-6.67%
Machinery & Equipment	339,456	1,135,726	10,183	4,412	790,499	226.09%
Intangible Lease Assets	46,208	27,725	--	--	(18,483)	-40.00%
Total Capital Assets	\$ 13,132,035	\$ 17,011,804	\$ 10,183	\$ 4,412	\$ 3,873,998	29.48%

Some of this year’s major capital asset purchases were the School Renovation Project, improvements to the football field, an Anatomage table, a CDL truck simulator, a plasma cutter, and playground equipment.

Long-Term Debt

The Willow Lake School District had \$14,229,181 in outstanding debt and obligations see individual balances on Table A-6. This is a 17.76% increase from last year as shown on Table A-6.

Table A-6
Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total % Change
	2024	2025		
General Obligation Bonds	\$ 9,800,000	\$ 9,610,000	\$ (190,000)	-1.94%
Capital Outlay Certificates	2,165,000	4,380,000	2,215,000	102.31%
Plus: Unamortized Premiums	--	171,904	171,904	100.00%
Intangible Lease	114,031	62,917	(51,114)	-44.82%
Accrued Compensated Absences - Governmental Funds	4,656	4,360	(296)	-6.36%
Total Outstanding Debt	\$ 12,083,687	\$ 14,229,181	\$ 2,145,494	17.76%

Willow Lake School District No. 12-3
Management Discussion and Analysis (MD&A)
June 30, 2025

Economic Factors and Next Year's Budgets and Rates

The School's current economic position is still strong. The School experienced a decrease in net position due to expenses occurred for a capital project.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Willow Lake School Business Office, PO Box 170, Willow Lake, SD 57278.

Willow Lake School District No. 12-3
Statement of Net Position – Government-Wide
June 30, 2025

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 3,047,522	\$ 20,495	\$ 3,068,017
Accounts receivable	--	498	498
Taxes receivable	1,305,317	--	1,305,317
Due from other government	477,935	--	477,935
Inventories	--	1,585	1,585
Net pension asset	3,272	--	3,272
Capital assets:			
Land and construction in progress	12,277,269	--	12,277,269
Other capital assets, net of depreciation	4,734,535	4,412	4,738,947
Total Assets	21,845,850	26,990	21,872,840
Deferred Outflows of Resources:			
Pension-related deferred outflows	621,100	--	621,100
Total Deferred Outflows of Resources	621,100	--	621,100
Liabilities:			
Accounts payable	401,641	62	401,703
Unearned revenue	--	10,103	10,103
Other current liabilities	312,749	714	313,463
Long-term liabilities:			
Due within one year	511,224	--	511,224
Due in more than one year	13,717,957	--	13,717,957
Total Liabilities	14,943,571	10,879	14,954,450
Deferred Inflows of Resources:			
Pension related deferred inflows	414,677	--	414,677
Total Deferred Inflows of Resources	414,677	--	414,677
Net Position:			
Net investment in capital assets	3,226,242	4,412	3,230,654
Restricted for:			
Capital outlay	1,158,080	--	1,158,080
Special education	629,727	--	629,727
Debt Service	678,348	--	678,348
SDRS pension purposes	209,695	--	209,695
Unrestricted	1,206,610	11,699	1,218,309
Total Net Position	\$ 7,108,702	\$ 16,111	\$ 7,124,813

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

Willow Lake School District No. 12-3
Statement of Activities – Government-Wide
June 30, 2025

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	\$ 2,697,392	\$ --	\$ 691,025	\$ (2,006,367)	\$ --	\$ (2,006,367)
Support services	1,899,193	--	17,991	(1,881,202)	--	(1,881,202)
Interest on long-term debt	489,293	--	--	(489,293)	--	(489,293)
Cocurricular activities	248,260	20,817	--	(227,443)	--	(227,443)
Total Governmental Activities	5,334,138	20,817	709,016	(4,604,305)	--	(4,604,305)
Business-Type Activities:						
Food service	177,551	71,470	99,052	--	(7,029)	(7,029)
Driver's education	6,637	8,370	--	--	1,733	1,733
Total Business Type Activities	184,188	79,840	99,052	--	(5,296)	(5,296)
Total Primary Government	\$ 5,518,326	\$ 100,657	\$ 808,068	(4,604,305)	(5,296)	(4,609,601)
General Revenues:						
Taxes:						
Property taxes				3,019,107	--	3,019,107
Utility taxes				437,852	--	437,852
Revenue from State Sources:						
State aid				1,740,140	--	1,740,140
Unrestricted investment earnings				98,911	237	99,148
Contributions and donations				10,507	--	10,507
Other general revenues				35,702	--	35,702
Total General Revenues				5,342,219	237	5,342,456
Change in Net Position				737,914	(5,059)	732,855
Net Position - Beginning of Year				6,370,788	21,170	6,391,958
Net Position - End of Year	\$ 7,108,702			\$ 16,111	\$ 7,124,813	

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

Willow Lake School District No. 12-3

Balance Sheet – Governmental Funds

June 30, 2025

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Assets:						
Cash and cash equivalents	\$ 549,963	\$ 767,471	\$ 468,905	\$ 420,507	\$ 840,676	\$ 3,047,522
Taxes receivable - current	450,192	389,394	203,601	257,048	--	1,300,235
Taxes receivable - delinquent	2,425	1,215	649	793	--	5,082
Due from other governments	477,935	--	--	--	--	477,935
Total Assets	<u>\$ 1,480,515</u>	<u>\$ 1,158,080</u>	<u>\$ 673,155</u>	<u>\$ 678,348</u>	<u>\$ 840,676</u>	<u>\$ 4,830,774</u>
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ 224	\$ --	\$ --	\$ --	401,417	\$ 401,641
Contracts payable	206,814	--	32,618	--	--	239,432
Payroll deductions and withholding and employer matching payable	62,507	--	10,810	--	--	73,317
Total Liabilities	<u>269,545</u>	<u>--</u>	<u>43,428</u>	<u>--</u>	<u>401,417</u>	<u>714,390</u>
Deferred Inflows of Resources:						
Unavailable Revenue	452,617	390,609	204,250	257,841	--	1,305,317
Total Deferred Inflows of Resources	<u>452,617</u>	<u>390,609</u>	<u>204,250</u>	<u>257,841</u>	<u>--</u>	<u>1,305,317</u>
Fund Balances:						
Restricted:						
For capital outlay	--	767,471	--	--	439,259	1,206,730
For special education	--	--	425,477	--	--	425,477
For debt service	--	--	--	420,507	--	420,507
Assigned	2,400	--	--	--	--	2,400
Unassigned	755,953	--	--	--	--	755,953
Total Fund Balances	<u>758,353</u>	<u>767,471</u>	<u>425,477</u>	<u>420,507</u>	<u>439,259</u>	<u>2,811,067</u>
Total Liabilities and Fund Balances	<u>\$ 1,480,515</u>	<u>\$ 1,158,080</u>	<u>\$ 673,155</u>	<u>\$ 678,348</u>	<u>\$ 840,676</u>	<u>\$ 4,830,774</u>

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

Willow Lake School District No. 12-3

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2025

Total Fund Balances - Governmental Funds \$ 2,811,067

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. 17,011,804

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

Intangible Lease Liabilities	(62,917)	
GO Bonds	(9,610,000)	
Premiums on Capital Outlay Certificates	(171,904)	
Capital Outlay Certificates	(4,380,000)	
Accrued Leave	<u>(4,360)</u>	(14,229,181)

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 1,305,317

Proportionate Share of Net Pension Asset 3,272

Pension related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (414,677)

Pension related deferred outflows are components of non current assets and therefore are not reported in the funds. 621,100

Net Position - Governmental Activities \$ 7,108,702

Willow Lake School District No. 12-3

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

June 30, 2025

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues						
Revenue from Local Sources:						
Taxes:						
Ad valorem taxes	\$ 1,042,197	\$ 839,472	\$ 438,909	\$ 552,058	\$ --	\$ 2,872,636
Prior years' ad valorem taxes	703	291	153	183	--	1,330
Tax deed revenue	1,071	--	--	--	--	1,071
Utility taxes	437,852	--	--	--	--	437,852
Penalties and interest on taxes	816	684	357	445	--	2,302
Earnings on Investments and Deposits	4,574	11,195	4,108	1,628	77,406	98,911
Cocurricular Activities:						
Other	9,897	--	5,050	--	--	14,947
Other student activity income	5,870	--	--	--	--	5,870
Other Revenue from Local Sources:						
Rentals	3,300	--	--	--	--	3,300
Contributions and donations	583	9,924	--	--	--	10,507
Charges for services	4,131	--	--	--	--	4,131
Other	12,883	1,100	--	--	--	13,983
Revenue from Intermediate Sources:						
County Sources:						
County apportionment	10,688	--	--	--	--	10,688
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted grants-in-aid	1,509,715	--	--	--	--	1,509,715
Restricted grants-in-aid	875	229,550	--	--	--	230,425
Revenue from Federal Sources:						
Grants-in-Aid:						
Restricted grants-in-aid received						
Directly from federal government	7,187	10,804	--	--	--	17,991
Restricted grants-in-aid received from Federal government through the state	160,734	530,291	--	--	--	691,025
Total Revenues	<u>\$ 3,213,076</u>	<u>\$ 1,633,311</u>	<u>\$ 448,577</u>	<u>\$ 554,314</u>	<u>\$ 77,406</u>	<u>\$ 5,926,684</u>

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

Willow Lake School District No. 12-3

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

June 30, 2025 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Expenditures						
Instructional Services:						
Regular Programs:						
Elementary	\$ 1,007,787	\$ 55,358	\$ --	\$ --	\$ --	\$ 1,063,145
Middle/junior high	201,629	--	--	--	--	201,629
High school	549,377	193,260	--	--	--	742,637
Preschool	29,560	--	--	--	--	29,560
Special Programs:						
Programs for special education	--	--	332,726	--	--	332,726
Educationally deprived	131,138	--	--	--	--	131,138
Support Services:						
Students:						
Attendance and social work	--	--	6,890	--	--	6,890
Guidance	56,399	--	--	--	--	56,399
Psychological	--	--	9,357	--	--	9,357
Health	--	--	34,437	--	--	34,437
Speech pathology	--	--	12,466	--	--	12,466
Student therapy services	--	--	9,112	--	--	9,112
Instructional Staff:						
Improvement of instruction	17,248	--	--	--	--	17,248
Educational media	139,014	--	--	--	--	139,014
General Administration:						
Board of education	163,362	--	404	--	--	163,766
Executive administration	166,686	--	--	--	--	166,686
School Administration:						
Office of the principal	136,176	--	--	--	--	136,176
Other	585	--	--	--	--	585
Business:						
Fiscal services	103,444	9,158	--	--	--	112,602
Facilities acquisition and construction	--	139,008	--	--	15,000	154,008
Operation and maintenance of plant	317,477	3,802	--	--	--	321,279
Student transportation	201,788	--	--	--	--	201,788
Food services	10,101	--	--	--	--	10,101
Central:						
Information	--	2,095	--	--	--	2,095
Staff	432	--	--	--	--	432

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

Willow Lake School District No. 12-3

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

June 30, 2025 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Debt Services:	--	350,921	--	554,486	--	905,407
Cocurricular Activities:						
Male activities	--	12,075	--	--	--	12,075
Female activities	--	19,575	--	--	--	19,575
Transportation	13,410	--	--	--	--	13,410
Combined activities	154,061	--	--	--	--	154,061
Capital Outlay	--	845,052	--	--	3,544,814	4,389,866
Total Expenditures	<u>3,399,674</u>	<u>1,630,304</u>	<u>405,392</u>	<u>554,486</u>	<u>3,559,814</u>	<u>9,549,670</u>
Excess of Revenue Over (Under) Expenditures	(186,598)	3,007	43,185	(172)	(3,482,408)	(3,622,986)
Other Financing Sources (Uses):						
Transfer in	200,000	--	--	--	2,528,568	2,728,568
Transfer out	--	(2,728,568)	--	--	--	(2,728,568)
General Long-Term Debt Issued	--	2,561,904	--	--	--	2,561,904
Sale of Surplus Property	--	3,600	--	--	--	3,600
Total Other Financing Sources (Uses)	<u>200,000</u>	<u>(163,064)</u>	<u>--</u>	<u>--</u>	<u>2,528,568</u>	<u>2,565,504</u>
Net Change in Fund Balances	13,402	(160,057)	43,185	(172)	(953,840)	(1,057,482)
Fund Balance, Beginning of Year	<u>744,951</u>	<u>927,528</u>	<u>382,292</u>	<u>420,679</u>	<u>1,393,099</u>	<u>3,868,549</u>
Fund Balance, End of Year	<u>\$ 758,353</u>	<u>\$ 767,471</u>	<u>\$ 425,477</u>	<u>\$ 420,507</u>	<u>\$ 439,259</u>	<u>\$ 2,811,067</u>

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

Willow Lake School District No. 12-3

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
June 30, 2025

Net Change in Fund Balances - Total Governmental Funds \$ (1,057,482)

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. 4,389,866

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. (346,079)

In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. (164,018)

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. 416,114

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." 141,768

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. (2,561,904)

Governmental funds do not reflect the change in compensated absences but the Statement of Activities reflects the change in these accruals through expenses. 296

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. (80,647)

Change in net position of governmental activities \$ 737,914

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

Willow Lake School District No. 12-3
Statement of Net Position – Proprietary Funds
June 30, 2025

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 7,604	\$ 12,891	\$ 20,495
Accounts receivable, net	498	--	498
Inventory - supplies	464	--	464
Inventory - stores for resale	1,121	--	1,121
Total Current Assets	<u>9,687</u>	<u>12,891</u>	<u>22,578</u>
Noncurrent Assets:			
Machinery and equipment - local funds	14,326	--	14,326
Less accumulated depreciation	<u>(9,914)</u>	<u>--</u>	<u>(9,914)</u>
Total Noncurrent Assets	<u>4,412</u>	<u>--</u>	<u>4,412</u>
Total Assets	<u><u>\$ 14,099</u></u>	<u><u>\$ 12,891</u></u>	<u><u>\$ 26,990</u></u>
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 62	\$ --	\$ 62
Contracts payable	467	--	467
Payroll deductions and withholdings and employer matching payable	247	--	247
Unearned revenue	<u>10,103</u>	<u>--</u>	<u>10,103</u>
Total Current Liabilities	<u>10,879</u>	<u>--</u>	<u>10,879</u>
Net Position:			
Net investment in capital assets	4,412	--	4,412
Unrestricted net position	<u>(1,192)</u>	<u>12,891</u>	<u>11,699</u>
Total Net Position	<u><u>\$ 3,220</u></u>	<u><u>\$ 12,891</u></u>	<u><u>\$ 16,111</u></u>

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

Willow Lake School District No. 12-3
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
June 30, 2025

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Operating Revenue:			
Food Sales:			
Student	\$ 62,489	\$ --	\$ 62,489
Adult	8,901	--	8,901
Other charges for goods and services	80	8,370	8,450
Total Operating Revenue	71,470	8,370	79,840
Operating Expenses:			
Food Service:			
Salaries	62,232	4,129	66,361
Employee benefits	17,377	564	17,941
Purchased services	3,589	112	3,701
Supplies	15,885	1,682	17,567
Cost of sales - purchased	68,061	--	68,061
Cost of sales - donated	4,636	--	4,636
Other	--	150	150
Depreciation	2,484	--	2,484
Total Operating Expenses	174,264	6,637	180,901
Operating (Loss)	(102,794)	1,733	(101,061)
Nonoperating Revenues/Expenses:			
Investment Earnings	99	138	237
State grants	361	--	361
Federal grants	94,055	--	94,055
Donated food	4,636	--	4,636
Loss on disposal of fixed assets	(3,287)	--	(3,287)
Total Nonoperating Revenue/ (Expenses)	95,864	138	96,002
Change in Net Position	(6,930)	1,871	(5,059)
Net Position - Beginning of Year	10,150	11,020	21,170
Net Position - End of Year	\$ 3,220	\$ 12,891	\$ 16,111

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

Willow Lake School District No. 12-3
Statement of Cash Flows – Proprietary Funds
June 30, 2025

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 61,792	\$ 8,370	\$ 70,162
Cash payments to suppliers	(87,620)	(1,944)	(89,564)
Cash payments to employees	(79,348)	(4,693)	(84,041)
Net Cash (Used) by Operating Activities	(105,176)	1,733	(103,443)
Cash Flows from Noncapital Financing Activities:			
Cash reimbursements - state	361	--	361
Cash reimbursements - federal	94,055	--	94,055
Net Cash Provided by Noncapital Financing Activities	94,416	--	94,416
Cash Flows from Investing Activities:			
Investment Earnings	99	138	237
Net Cash Provided by Investing Activities	99	138	237
Net Change in Cash and Cash Equivalents	(10,661)	1,871	(8,790)
Cash and Cash Equivalents, Beginning of Year	18,265	11,020	29,285
Cash and Cash Equivalents, End of Year	<u>\$ 7,604</u>	<u>\$ 12,891</u>	<u>\$ 20,495</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (102,794)	\$ 1,733	\$ (101,061)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	2,484	--	2,484
Value of commodities used	4,636	--	4,636
Change in Assets and Liabilities:			
Accounts receivable	(120)	--	(120)
Inventory	(147)	--	(147)
Deferred revenue	(9,558)	--	(9,558)
Contracts payable	467	--	467
Accrued payroll expenses	(206)	--	(206)
Accounts payable	62	--	62
Net cash (used) by operating activities:	<u>\$ (105,176)</u>	<u>\$ 1,733</u>	<u>\$ (103,443)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	<u>\$ 4,636</u>	<u>\$ --</u>	<u>\$ 4,636</u>

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

Willow Lake School District No. 12-3
Statement of Net Position – Fiduciary Funds
June 30, 2025

	Private-Purpose Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 1,449	\$ 48,993
Investments-certificates of deposit	32,241	--
Total Assets	\$ 33,690	\$ 48,993
 Net Position:		
Scholarships	\$ 33,690	\$ --
Individuals, organizations, and other governments	--	48,993
Total Net Position	\$ 33,690	\$ 48,993

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

Willow Lake School District No. 12-3
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2025

	Private-Purpose Trust Funds	Custodial Funds
Additions:		
Contributions and donations	\$ 1,999	\$ --
Collections for student activities	--	104,935
Total Additions	1,999	104,935
Deductions:		
Trust deductions for scholarships awarded	550	--
Payments for student activities	--	104,002
Total Deductions	550	104,002
Change in Net Position	1,449	933
Net Position - Beginning	32,241	48,060
Net Position - Ending	\$ 33,690	\$ 48,993

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

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies:

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

a. Financial Reporting Entity:

The reporting entity of Willow Lake School District No. 12-3, 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. Government-Wide and Fund Financial Statements:

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between the governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange 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.

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2025

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) 13-16-3 to meet all the general operational costs of the School District, excluding the capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

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

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

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

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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.

The Bond Redemption Fund – A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. There is only one debt service fund maintained by the School District. 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 a major capital facilities (other than those financed by proprietary funds and trust funds).

The Capital Projects Fund – Is the only capital projects fund maintained by the School District. This is a major fund.

Proprietary Funds:

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

1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government 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.)
2. Laws or regulations require that the activity’s costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

Other Enterprise Fund – A fund used to record financial transactions related to driver’s education activities. This fund is financed by user charges and fees. This is a major fund.

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2025

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 – Trust funds are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains a private-purpose trust fund for scholarships.

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

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).

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2025

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 School District is 60 days. The revenues which are accrued at June 30, 2025 are amounts due from other governments.

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. Deposits and Investments:

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

Investments classified in the financial statements consist entirely of 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.

e. Capital Assets:

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

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

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

Government-Wide Financial Statements:

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

The total June 30, 2025 balance of capital assets for governmental activities includes approximately less than two percent for which the costs were determined by estimates of the original costs. These estimated original costs were established by prior records at cost or historical costs. The total June 30, 2025 balance of capital assets for business-type activities are all valued at original cost.

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

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

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Land*	All	NA	NA
Intangible assets (Leases & SBITAs)	\$ 50,000	Straight-line	< 1 year
Buildings	\$ 20,000	Straight-line	50 years
Improvements	\$ 10,000	Straight-line	15-25 years
Machinery and Equipment	\$ 2,000	Straight-line	5-20 years
Food Service Machinery and Equipment	\$ 1,000	Straight-line	5-20 years

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

Fund Financial Statements:

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

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

f. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of general obligation bonds, capital outlay certificates, compensated absences, and intangible leases.

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

g. Leases:

The School District is a lessee for a noncancellable lease of copiers and a bus contract. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$50,000 or more.

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

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

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

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

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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

h. Subscription Based Information Technology Arrangements:

The School District does not have any subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided information technology. If the School District had any, it would recognize a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements. The School District recognizes subscription liabilities with an initial, individual value of \$50,000 or more.

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

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

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

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

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

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

i. Program Revenues:

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

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

j. Deferred Inflows and Deferred Outflows of Resources:

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

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

k. Proprietary Funds Revenue and Expense Classifications:

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

l. 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.

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

m. Equity Classifications:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

n. Application of Net Position:

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

o. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not 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.

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the School Board.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

The School District has an assigned fund balance for unemployment in the General Fund. There was a \$2,400 balance in assigned fund balance for the year ended June 30, 2025.

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

p. Pensions:

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

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2025

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

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

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

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.

Concentration 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 School District’s policy is to credit all income from deposits and investment to the General Fund, except the private-purpose trust funds, which retains their investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

3. Receivables and Payables:

Receivables and payables are not aggregated in the financial statements. The School District expects all receivables to be collected within one year. No allowance has been made for estimated uncollectible amounts.

Willow Lake School District No. 12-3
Notes to the Financial Statements
June 30, 2025

4. Inventory:

Inventory held for consumption is stated at cost.

Inventory for Resale is stated at the lower of cost or market. The cost valuation method is 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 in the enterprise fund financial statements, Food Service Fund 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, consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. No material inventories were on hand as of June 30, 2025 in the governmental funds.

5. Property Tax:

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

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

Willow Lake School District No. 12-3
Notes to the Financial Statements
June 30, 2025

6. Changes in Capital Assets:

A summary of changes in capital assets for the fiscal year ended June 30, 2025 is as follows:

	06/30/2024 Balance	Increases	Decreases	06/30/2025 Balance
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 16,800	\$ --	\$ --	\$ 16,800
Construction in progress	8,903,411	3,873,335	516,277	12,260,469
Total capital assets not being depreciated/amortized	8,920,211	3,873,335	516,277	12,277,269
Capital assets being depreciated/amortized:				
Buildings	5,187,670	--	200,151	4,987,519
Improvements	322,649	42,050	--	364,699
Machinery & Equipment	1,097,193	990,758	68,646	2,019,305
Intangible Assets	92,416	--	--	92,416
Library Books	105,946	--	--	105,946
Total capital assets being depreciated/amortized	6,805,874	1,032,808	268,797	7,569,885
Less accumulated depreciation/amortization for:				
Buildings	1,583,352	137,203	66,637	1,653,918
Improvements	100,807	26,409	--	127,216
Machinery & Equipment	757,737	163,984	38,142	883,579
Intangible Assets	46,208	18,483	--	64,691
Library Books	105,946	--	--	105,946
Total accumulated depreciation/amortization	2,594,050	346,079	104,779	2,835,350
Total capital assets being depreciated/amortized, net	4,211,824	686,729	164,018	4,734,535
Net Capital Assets	\$ 13,132,035	\$ 4,560,064	\$ 680,295	\$ 17,011,804

Depreciation/amortization expense was charged to functions as follows:

Instruction	\$ 196,558
Support services	81,899
Amortization	18,483
Co-curricular activities	49,139
Total Depreciation/Amortization Expense	\$ 346,079

Willow Lake School District No. 12-3
Notes to the Financial Statements
June 30, 2025

6. Changes in Capital Assets: (Continued)

	<u>06/30/2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/2025</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Machinery & Equipment	\$ 51,401	\$ --	\$ 37,075	\$ 14,326
Less accumulated depreciation for:				
Machinery & Equipment	41,218	2,484	33,788	9,914
Total capital assets, net	\$ 10,183	\$ (2,484)	\$ 3,287	\$ 4,412

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Food Service	\$ 2,484

Construction Work in Progress at June 30, 2025 is composed of the following:

Project Name	Project Authorization	Through 6/30/2025	Committed
School Renovation Project	\$ 12,629,135	\$ 12,260,469	\$ 368,666

7. Long-Term Liabilities:

A summary of the changes in long-term liabilities for the year ended June 30, 2025 is as follows:

	<u>6/30/2024</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2025</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 9,800,000	\$ --	\$ 190,000	\$ 9,610,000	\$ 195,000
Capital Outlay Certificates	2,165,000	2,390,000	175,000	4,380,000	255,000
Plus: Unamortized Premiums	--	171,904	--	171,904	8,595
Other Liabilities:					
Compensated Absences	4,656	--	296	4,360	--
Lease Liabilities	114,031	--	51,114	62,917	52,629
Total Long-Term Liabilities	\$ 12,083,687	\$ 2,561,904	\$ 416,410	\$ 14,229,181	\$ 511,224

Compensated absences for governmental activities typically have been liquidated from the General Fund.

Willow Lake School District No. 12-3
Notes to the Financial Statements
June 30, 2025

7. Long-Term Liabilities: (Continued)

Liabilities payable at June 30, 2025 are comprised of the following:

Willow Lake School District No 12-3 Capital Outlay Certificates, Series 2020	During September 2020, the School District entered into an agreement to receive Capital Outlay Certificate Bonds in the amount of \$2,665,000. There is a varying interest rate of 2 to 3% assessed on these bonds. Final payment is August 2034. The Capital Outlay Fund makes payment on this debt.	\$ 1,990,000
Willow Lake School District No 12-3 Capital Outlay Certificates, Series 2024	During August 2024, the School District entered into an agreement to receive Capital Outlay Certificate Bonds in the amount of \$2,390,000. There is a varying interest rate of 4 to 5% assessed on these bonds. Final payment is June 2045. A premium on issuance of \$171,904 will be amortized annually on these bonds. The Capital Outlay Fund makes payment on this debt.	\$ 2,561,904
Willow Lake School District No 12-3 Intangible Lease	During April, 2023, the School District entered into an agreement to receive MacBooks in the amount of \$129,784. There is an interest rate of 1.70% assessed on this notes. Final payment is May 2026. The Capital Outlay Fund makes payment on this debt.	\$ 32,753
Willow Lake School District No 12-3 Intangible Lease	During January 2022, the School District entered into an agreement to receive copiers in the amount of \$92,416. There is an interest rate of 5.00% assessed on this lease. Final payment is December 2026. The Capital Outlay Fund makes payment on this debt.	\$ 30,164
Willow Lake School District No 12-3 General Obligation Bond	During August 2022, the School District entered into an agreement to receive \$9,800,000 to help the school meet debt obligations as they become due. There is an interest rate of 3.00% assessed on this notes. Final payment is June 2053. The Bond Redemption Fund makes payment on this debt.	\$ 9,610,000
Compensated Absences – Payable from the fund to which payroll expenditures are charged.		\$ 4,360

Willow Lake School District No. 12-3
Notes to the Financial Statements
June 30, 2025

7. Long-Term Liabilities: (Continued)

The annual debt service requirements to maturity for all debt outstanding other than compensated absences, early retirement payable, and other postemployment benefits, as of June 30, 2025 are as follows:

Year Ending June 30,	Intangible Leases		Capital Outlay Certificates		General Obligation Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 52,629	\$ 1,614	\$ 263,595	\$ 151,625	\$ 195,000	\$ 358,474	\$ 511,224	\$ 511,713
2027	10,288	143	268,595	142,400	215,000	353,338	493,883	495,881
2028	--	--	278,595	133,850	215,000	347,944	493,595	481,794
2029	--	--	288,595	125,875	220,000	341,958	508,595	467,833
2030	--	--	293,595	117,600	235,000	335,168	528,595	452,768
2031-2035	--	--	1,592,976	455,425	1,275,000	1,557,310	2,867,976	2,012,735
2036-2040	--	--	697,976	257,375	1,525,000	1,303,321	2,222,976	1,560,696
2041-2045	--	--	867,977	86,050	1,860,000	969,853	2,727,977	1,055,903
2046-2050	--	--	--	--	2,275,000	556,878	2,275,000	556,878
2051-2055	--	--	--	--	1,595,000	97,991	1,595,000	97,991
Totals	<u>\$ 62,917</u>	<u>\$ 1,757</u>	<u>\$ 4,551,904</u>	<u>\$ 1,470,200</u>	<u>\$ 9,610,000</u>	<u>\$ 6,222,235</u>	<u>\$ 14,224,821</u>	<u>\$ 7,694,192</u>

8. Restricted Net Position:

Restricted Net Position for the year ended June 30, 2025 was as follows:

Purpose	Restricted By	Amount
Major Purposes:		
Capital Outlay	Law	\$ 1,158,080
Special Education	Law	629,727
Debt Service	Debt Covenant	678,348
SDRS Pension Purposes	Law	209,695
Total		<u>\$ 2,675,850</u>

9. Interfund Transfers:

Transfers to/from other funds at June 30, 2025, consist of the following:

Transfer from the Capital Outlay Fund to the Capital Projects Fund for
Capital Outlay debt proceeds. \$ 2,528,568

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 Outlay funds. \$ 200,000

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2025

10. 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). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provide retirement, disability, and survivor benefits. 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.

Benefits Provided:

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

Members That were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundations members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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.

Willow Lake School District No. 12-3
Notes to the Financial Statements
June 30, 2025

10. Pension Plan: (Continued)

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

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

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

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

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, 2025, 2024, and 2023, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2025	\$ 140,664
2024	136,051
2023	124,795

Willow Lake School District No. 12-3
Notes to the Financial Statements
June 30, 2025

10. Pension Plan: (Continued)

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

At June 30, 2024, SDRS is 100.0% 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 the measurement period ending June 30, 2024 and reported by the School District as of June 30, 2025 are as follows:

Proportionate share of pension benefits	\$ 12,057,536
Less proportionate share of net pension restricted for pension benefits	12,060,808
Proportionate share of net pension (asset)	\$ (3,272)

At June 30, 2025, the School District reported an asset of (\$3,272) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2024 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, 2024, the School District's proportion was 0.08082400%, which is a decrease of 0.0000690% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the School District recognized pension expense of \$80,647. At June 30, 2025, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 302,965	\$ --
Changes in assumption	53,941	411,171
Net difference between projected and actual earnings on pension plan investments	123,238	--
Changes in proportion and difference between district contributions and proportionate share of contributions	292	3,506
District contributions subsequent to the measurement date	140,664	--
Total	\$ 621,100	\$ 414,677

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2025

10. Pension Plan: (Continued)

\$140,664 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, 2026. 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:

	<u>Year Ended</u> <u>June 30,</u>	
	2026	\$ (115,520)
	2027	156,708
	2028	15,771
	2029	9,853
	Total	<u>\$ 66,812</u>

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%.
Future COLAs	1.71%

Mortality Rates:

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

Active and Terminated Vested Members:

- Teachers, Certified Regents, and Judicial: PubT-2010.
- Other Class A Members: PubG-2010.
- Public Safety Members: PubS-2010.

Retired Members:

- Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65.
- Other Class A Retirees: PubG-2010, 93% of the rates through age 74, increasing by 2% per year until 111% of the rates at age 83 and above.
- Public Safety Retirees: PubS-2010, 102% of rates at all ages.

Beneficiaries:

- PubG-2010 contingent survivor mortality table.

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2025

10. Pension Plan: (Continued)

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table.

Others: PubG-2010 disabled member mortality table.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2021.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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, 2024 (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>
Public Equity	56.3%	3.6%
Investment Grade Debt	22.8%	2.3%
High Yield Debt	7.0%	2.8%
Real Estate	12.0%	4.0%
Cash	1.9%	0.8%
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).

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2025

10. 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 (asset)	<u>\$ 1,662,519</u>	<u>\$ (3,272)</u>	<u>\$ (1,366,407)</u>

Pension Plan Fiduciary Net Position:

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

11. Joint Ventures:

The School District participates in the Northeast Educational Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing appropriate educational support services for all children, and to offer, on a cooperative fee assessment basis, services that the districts would not be able to provide as effectively, or as economically acting along, to the member school districts.

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

Arlington School District No. 38-1	3.57%	Henry School District No. 14-2	2.21%
Britton-Hecla School District No. 45-4	5.82%	Iroquois School District No. 02-3	2.53%
Castlewood School District No. 28-1	3.91%	Lake Preston School District No. 38-3	2.06%
Clark School District No. 12-2	5.54%	Oldham-Ramona-Rutland School District No. 38-3	3.68%
DeSmet School District No. 38-2	4.01%	Rosholt School District No. 54-4	2.60%
Deubrook School District No. 5-6	4.77%	Sioux Valley School District No. 5-5	8.64%
Deuel School District No. 19-4	6.20%	Summit School District No. 54-6	2.05%
Elkton School District No. 5-3	5.23%	Waubay School District No. 18-3	1.94%
Enemy Swim Day School	1.82%	Waverly School District No. 14-5	3.08%
Estelline School District No. 28-2	3.15%	Webster Area School District No. 18-5	6.43%
Florence School District No. 14-1	4.00%	Willow Lake School District No. 12-3	3.83%
Hamlin School District No. 28-3	10.12%	Wilmot School District No. 54-7	2.81%

Willow Lake School District No. 12-3
Notes to the Financial Statements
June 30, 2025

11. Joint Ventures: (Continued)

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

At June 30, 2025, the joint venture had the following:

	<u>June 30, 2025</u>
Total Assets and Deferred Outflows	\$ 3,284,771
Total Liabilities and Deferred Inflows	\$ 1,331,453
Total Net Position	\$ 1,953,318

12. Risk Management:

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2025, the School District managed its risks as follows:

Employee Health Insurance:

The School District joined the Northern Plains Insurance Pool. This is a Joint Power Authority authorized by SDCL. To be eligible for membership, an applicant must be a governmental unit and a member of the pool. The objective of the pool is to formulate, develop, and administer on behalf of the member organizations, a program of health coverage through pooling risks, self-insurance and joint purchases of insurance.

The pool's contract with its members requires that the members meet an annual participation requirement of seventy five percent of total eligible employees as defined by the benefits plan or plans. A member may voluntarily terminate participation in a plan funded through the pool effective as the close of any plan year following completion of the member's initial participation period as defined by the Joint Powers Agreement.

The School District pay a monthly premium to the pool to provide health insurance coverage for its employees. The coverage offered is on the occurrence basis which provides for the payment of claims that occur during the period of coverage regardless of when the claim is reported.

Liability Insurance:

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

Willow Lake School District No. 12-3
Notes to the Financial Statements
June 30, 2025

12. Risk Management: (Continued)

Worker's Compensation:

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

Unemployment Benefits:

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

The School District has an assigned fund balance in the General Fund in the amount of \$2,400 for the payment of future unemployment benefits.

During the year ended June 30, 2025, no claims were filed. At June 30, 2025, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

13. Early Retirement Plan:

The Willow Lake School District has an early retirement plan in effect. The criteria to determine eligibility includes years of service and employee age. Under the plan, the district will pay 75% to 100% of the current salary on contract. During the fiscal year 2025 no employees participated in the program.

14. 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

Willow Lake School District No. 12-3

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis
June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,042,196	\$ 1,042,196	\$ 1,042,197	\$ 1
Prior years' ad valorem taxes	6,500	6,500	703	(5,797)
Tax deed revenue	--	--	1,071	1,071
Utility taxes	390,000	390,000	437,852	47,852
Penalties and interest on taxes	1,800	1,800	816	(984)
Earnings on Investments and Deposits	4,300	4,300	4,574	274
Cocurricular Activities:				
Admissions	10,197	10,197	9,897	(300)
Other student activity income	5,675	5,675	5,870	195
Other Revenue from Local Sources:				
Rentals	3,250	3,250	3,300	50
Contributions and donations	2,550	2,550	583	(1,967)
Charges for services	4,500	4,500	4,131	(369)
Other	12,884	12,884	12,883	(1)
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	13,000	13,000	10,688	(2,312)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	1,518,497	1,518,497	1,509,715	(8,782)
Restricted grants-in-aid	900	900	875	(25)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received directly from federal government	7,700	7,700	7,187	(513)
Restricted grants-in-aid received from federal government through the state	186,295	186,295	160,734	(25,561)
Total Revenues	\$ 3,210,244	\$ 3,210,244	\$ 3,213,076	\$ 2,832

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

Willow Lake School District No. 12-3

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis
June 30, 2025 (Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	\$ 1,025,731	\$ 1,025,731	\$ 1,007,787	\$ 17,944
Middle/junior high	230,215	230,215	201,629	28,586
High school	593,764	593,764	549,377	44,387
Preschool	29,723	29,723	29,560	163
Special Programs:				
Educationally deprived	134,797	134,797	131,138	3,659
Support Services:				
Students:				
Guidance	65,939	65,939	56,399	9,540
Instructional Staff:				
Improvement of instruction	28,825	28,825	17,248	11,577
Educational media	140,126	140,126	139,014	1,112
General Administration:				
Board of education	163,920	163,920	163,362	558
Executive administration	169,045	169,045	166,686	2,359
School Administration:				
Office of the principal	138,650	138,650	136,176	2,474
Other	600	600	585	15
Business:				
Fiscal services	105,557	105,557	103,444	2,113
Operation and maintenance of plant	329,015	329,015	317,477	11,538
Student transportation	203,842	203,842	201,788	2,054
Food service	10,105	10,105	10,101	4
Central:				
Staff	610	610	432	178
Nonprogrammed Charges:				
Unemployment	5,000	5,000	--	5,000
Cocurricular Activities:				
Transportation	13,440	13,440	13,410	30
Combined activities	154,921	154,921	154,061	860
Total Expenditures	<u>3,543,825</u>	<u>3,543,825</u>	<u>3,399,674</u>	<u>144,151</u>
Excess of Revenues Over Expenditures	<u>(333,581)</u>	<u>(333,581)</u>	<u>(186,598)</u>	<u>146,983</u>
Other Financing Sources:				
Operating transfers in	200,000	200,000	200,000	--
Operating transfers out	<u>(2,500)</u>	<u>(2,500)</u>	<u>--</u>	<u>2,500</u>
Total Other Financing Sources:	<u>197,500</u>	<u>197,500</u>	<u>200,000</u>	<u>2,500</u>
Net Change in Fund Balances	(136,081)	(136,081)	13,402	149,483
Fund Balance, Beginning of Year	<u>744,951</u>	<u>744,951</u>	<u>744,951</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 608,870</u>	<u>\$ 608,870</u>	<u>\$ 758,353</u>	<u>\$ 149,483</u>

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

Willow Lake School District No. 12-3

Required Supplementary Information – Budgetary Comparison Schedule – Capital Outlay Fund – Budgetary Basis June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 804,000	\$ 804,000	\$ 839,472	\$ 35,472
Prior years' ad valorem taxes	3,500	3,500	291	(3,209)
Penalties and interest on taxes	1,250	1,250	684	(566)
Earnings on Investments & Deposits	15,000	15,000	11,195	(3,805)
Other Revenue from Local Sources:				
Contributions and donations	7,500	7,500	9,924	2,424
Other	--	--	1,100	1,100
Revenue from State Sources:				
Grants-in-Aid:				
Restricted grants-in-aid	278,250	278,250	229,550	(48,700)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received directly from the federal government	10,295	10,295	10,804	509
Restricted grants-in-aid received from federal Government through the state	543,305	543,305	530,291	(13,014)
Total Revenues	<u>1,663,100</u>	<u>1,663,100</u>	<u>1,633,311</u>	<u>(29,789)</u>
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	75,060	75,060	68,684	6,376
High school	545,610	545,610	516,990	28,620
Support Services:				
Students:				
Audiology	500	500	--	500
Instructional Staff:				
Educational Media	39,000	39,000	37,099	1,901
Business:				
Fiscal services	12,000	12,000	11,650	350
Facilities acquisition and construction	280,500	280,500	267,933	12,567
Operation and maintenance of plant	337,805	337,805	337,432	373
Food Services	1,000	1,000	--	1,000
Central:				
Information	2,100	2,100	2,095	5
Debt Services:	321,910	321,910	350,921	(29,011)
Cocurricular Activities:				
Male activities	15,000	15,000	15,000	--
Female activities	22,500	22,500	22,500	--
Total Expenditures	<u>1,652,985</u>	<u>1,652,985</u>	<u>1,630,304</u>	<u>22,681</u>
Excess of Revenue Over (Under)				
Expenditures	<u>10,115</u>	<u>10,115</u>	<u>3,007</u>	<u>(7,108)</u>
Other Financing Sources (Uses):				
Transfers out	(200,000)	(200,000)	(2,728,568)	(2,528,568)
Proceeds of general long-term liabilities	--	--	2,561,904	2,561,904
Compensation for Loss of General Cap Assets	--	--	3,600	3,600
Total Other Financing Sources (Uses)	<u>(200,000)</u>	<u>(200,000)</u>	<u>(163,064)</u>	<u>36,936</u>
Net Change in Fund Balances	(189,885)	(189,885)	(160,057)	29,828
Fund Balance, Beginning of Year	<u>927,528</u>	<u>927,528</u>	<u>927,528</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 737,643</u>	<u>\$ 737,643</u>	<u>\$ 767,471</u>	<u>\$ 29,828</u>

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

Willow Lake School District No. 12-3
Required Supplementary Information – Budgetary Comparison
Schedule – Special Education Fund – Budgetary Basis
June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 442,745	\$ 442,745	\$ 438,909	\$ (3,836)
Prior years' ad valorem taxes	2,500	2,500	153	(2,347)
Penalties and interest on taxes	400	400	357	(43)
Earnings on Investments & Deposits	3,000	3,000	4,108	1,108
Other Revenue from Local Sources:				
Charges for services	2,875	2,875	5,050	2,175
Total Revenues	<u>451,520</u>	<u>451,520</u>	<u>448,577</u>	<u>(2,943)</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for special education	345,643	345,643	332,726	12,917
Support Services:				
Students:				
Attendance and social work	6,900	6,900	6,890	10
Health	54,652	54,652	34,437	20,215
Psychological	11,300	11,300	9,357	1,943
Speech pathology	15,000	15,000	12,466	2,534
Student therapy services	11,150	11,150	9,112	2,038
Instructional staff:				
Improvement of instruction	60	60	--	60
General Administration:				
Board of education	1,520	1,520	404	1,116
Special Education:				
Administrative costs	2,520	2,520	--	2,520
Transportation costs	2,475	2,475	--	2,475
Other special education costs	300	300	--	300
Total Expenditures	<u>451,520</u>	<u>451,520</u>	<u>405,392</u>	<u>46,128</u>
Net Change in Fund Balance	--	--	43,185	43,185
Fund Balance, Beginning of Year	<u>382,292</u>	<u>382,292</u>	<u>382,292</u>	--
Fund Balance, End of Year	<u>\$ 382,292</u>	<u>\$ 382,292</u>	<u>\$ 425,477</u>	<u>\$ 43,185</u>

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

Willow Lake School District No. 12-3
Notes to the Required Supplementary Information
June 30, 2025

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 trust and agency 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 a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.

Willow Lake School District No. 12-3

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net pension liability (asset)	0.0808240%	0.0808930%	0.0789970%	0.0793010%	0.0794829%	0.0659973%	0.0656925%	0.0649524%	0.0643915%	0.0613303%
District's proportionate share of net pension liability (asset)	\$ (3,272)	\$ (7,896)	\$ (7,466)	\$ (607,310)	\$ (3,452)	\$ (6,994)	\$ (1,532)	\$ (5,894)	\$ 217,508	\$ (260,119)
District's covered-employee payroll	\$ 2,267,517	\$ 2,086,516	\$ 1,886,330	\$ 1,799,593	\$ 1,744,407	\$ 1,352,839	\$ 1,365,687	\$ 1,320,097	\$ 1,224,021	\$ 1,119,721
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.14%	0.38%	0.40%	33.75%	0.20%	0.52%	0.11%	0.45%	17.77%	23.23%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.00%	100.10%	100.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%

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.

Willow Lake School District No. 12-3
Schedule of the School District Contributions South Dakota Retirement System

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually-required contribution	\$ 140,664	\$ 136,051	\$ 124,795	\$ 113,180	\$ 107,976	\$ 104,665	\$ 81,170	\$ 81,941	\$ 79,205	\$ 73,441
Contributions in relation to the contractually-required contribution	<u>140,664</u>	<u>136,051</u>	<u>124,795</u>	<u>113,180</u>	<u>107,976</u>	<u>104,665</u>	<u>81,170</u>	<u>81,941</u>	<u>79,205</u>	<u>73,441</u>
District's covered-employee payroll	\$ 2,344,404	\$ 2,267,517	\$ 2,086,516	\$ 1,886,330	\$ 1,799,593	\$ 1,744,407	\$ 1,352,839	\$ 1,365,687	\$ 1,320,097	\$ 1,224,021
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	5.98%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

Willow Lake School District No. 12-3
Notes to the Schedule of the Proportionate Share of the Net Pension Liability (Asset)
and Schedule of Pension Contributions
For the Year Ended June 30, 2025

Changes from Prior Valuation

The June 30, 2024, Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2023, Actuarial Valuation.

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

Benefit Provision Changes

During the 2024 Legislative Session no significant SDRS benefit changes were made.

Actuarial Method Changes

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

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% 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%.

As of June 30, 2023, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2024 SDRS COLA was limited to a restricted maximum of 1.91%. For the June 30, 2023, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 1.91%.

As of June 30, 2024, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2025 SDRS COLA is limited to a restricted maximum of 1.71%. The July 2025 SDRS COLA will equal inflation, between 0% and 1.71%. For this June 30, 2024, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.71%.

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

Supplementary Information

Willow Lake School District No. 12-3
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:			
Pass through the S.D Department of Education			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	NSLP-12003-25	\$ 4,636
Cash Assistance:			
School Breakfast Program (Note 3)	10.553	NSLP-12003-25	14,764
National School Lunch Program (Note 3)	10.555	NSLP-12003-25	<u>79,291</u>
Total Child Nutrition Cluster			<u>98,691</u>
Other Programs:			
Fresh Fruit and Vegetable Program	10.582	FFVP-12003-25	<u>9,285</u>
Total U.S. Department of Agriculture			<u>107,976</u>
U.S. Department of Education:			
Pass through the S.D. Department of Education:			
Title I Grants to Local Educational Agencies	84.010	TIA-12003-25	114,308
Career and Technical Education	84.048	PRPI-12003-25	5,415
Rural Education	84.358	NA	17,991
Supporting Effective Instruction State Grant	84.367	TIIA-12003-25	26,515
Student Support and Academic Enrichment Program	84.424A	TIVA-12003-25	3,898
American Rescue Plan Elementary and Secondary School Emergency Relief (Note 4)	84.425U	ESSERIIIG-12003-21	<u>531,604</u>
Total U.S. Department of Education			<u>699,731</u>
Grand Total			<u>\$ 807,707</u>

Willow Lake School District No. 12-3
Schedule of Expenditures of Federal Awards
June 30, 2025 (Continued)

Note 1: - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Willow Lake School District No. 12-3 (the "School District"), under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

Note 2: - Summary of Significant Accounting Policies

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

Note 3: - Federal Reimbursement

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

Note 4: - Major Federal Financial Assistance Program

This represents a Major Federal Financial Assistance Program.