

**Willow Lake School District No. 12-3**

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

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

**Willow Lake School District No. 12-3**

School District Officials

June 30, 2022

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Board Members

Julayne Thoreson ----- Board President

Trav Bratland-----Vice President

Tia Felberg ----- Member

Jared Knock----- 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, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated May 23, 2023.

**Report on Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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.

Handwritten signature in blue ink that reads "CIO Prof LHC".

Elk Point, South Dakota  
May 23, 2023



## 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, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2023 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.

A handwritten signature in dark ink, appearing to read "CIO of Elk Point, SD". The signature is written in a cursive, somewhat stylized font.

Elk Point, South Dakota  
May 23, 2023



**Willow Lake School District No. 12-3**  
Management Discussion and Analysis (MD&A)  
June 30, 2022

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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, 2022. 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 \$162,663 this is a decrease of \$143,860 from prior year.
- During the year, the School's revenues generated from taxes and other revenues, of the governmental activities, was \$3,825,434. The total governmental activities expenses for the fiscal year ending June 30, 2022 were \$3,662,771.

**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**

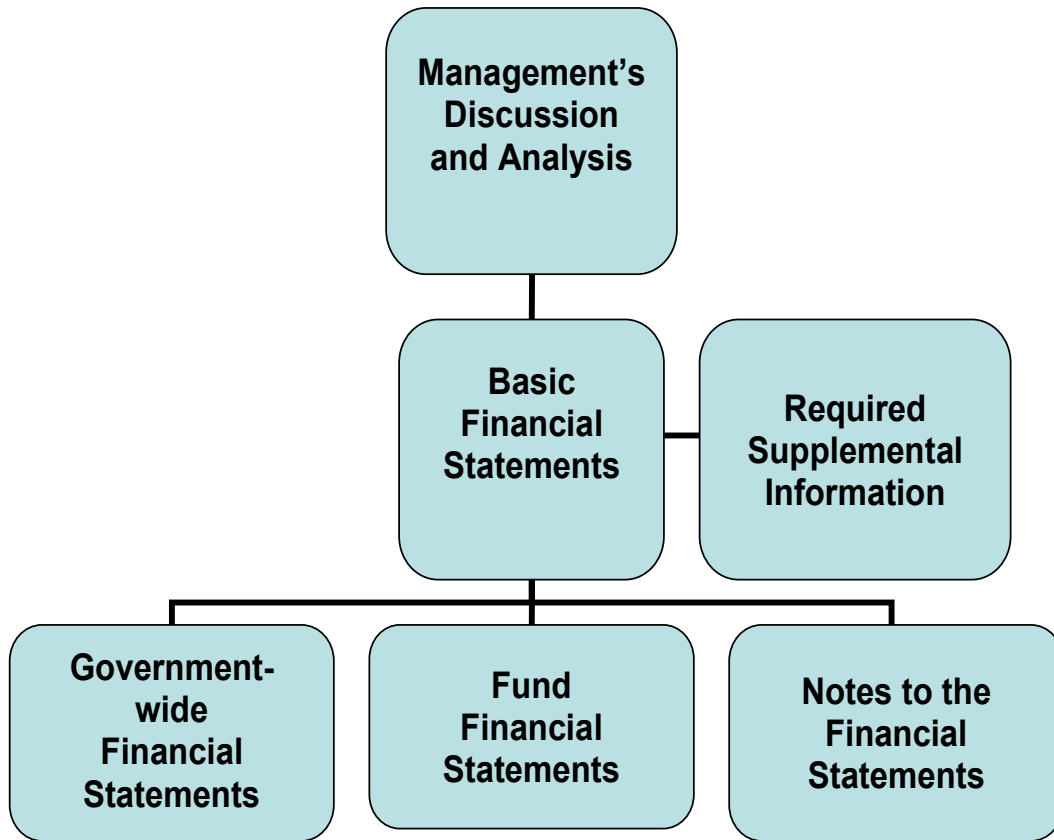


Figure A-2 summarizes the major features of the School's financial statements, including the portion of the School government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of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

**Willow Lake School District No. 12-3**  
Management Discussion and Analysis (MD&A)  
June 30, 2022

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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul> | <ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>                                              | <ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul> | <ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Changes in Net Position</li> </ul>           |
| 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, 2022

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### **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, 2022

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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, 2022

**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<br>Percentage<br>Change |
|------------------------------------------------------|-------------------------|--------------|--------------------------|-----------|--------------|--------------|-------------------------------|
|                                                      | 2021                    | 2022         | 2021                     | 2022      | 2021         | 2022         | 2021-2022                     |
| Current and Other Assets                             | \$ 3,205,111            | \$ 3,820,566 | \$ 23,320                | \$ 51,024 | \$ 3,228,431 | \$ 3,871,590 | 19.92%                        |
| Capital Assets (Net of Depreciation)                 | 4,292,998               | 4,178,505    | 14,140                   | 11,391    | 4,307,138    | 4,189,896    | -2.72%                        |
| Total Assets                                         | 7,498,109               | 7,999,071    | 37,460                   | 62,415    | 7,535,569    | 8,061,486    | 6.98%                         |
| Pension Related Deferred Outflows                    | 553,210                 | 833,384      | --                       | --        | 553,210      | 833,384      | 50.65%                        |
| Total Deferred Outflows or Resources                 | 553,210                 | 833,384      | --                       | --        | 553,210      | 833,384      | 50.65%                        |
| Long-Term Liabilities Outstanding                    | 2,700,317               | 2,604,292    | --                       | --        | 2,700,317    | 2,604,292    | -3.56%                        |
| Other Liabilities                                    | 278,873                 | 295,583      | 4,342                    | 12,954    | 283,215      | 308,537      | 8.94%                         |
| Total Liabilities                                    | 2,979,190               | 2,899,875    | 4,342                    | 12,954    | 2,983,532    | 2,912,829    | -2.37%                        |
| Pension Related Deferred Inflows                     | 474,725                 | 1,188,856    | --                       | --        | 474,725      | 1,188,856    | 150.43%                       |
| Total Deferred Inflows of Resources                  | 474,725                 | 1,188,856    | --                       | --        | 474,725      | 1,188,856    | 150.43%                       |
| Net Investment in Capital Assets                     | 1,627,998               | 1,594,331    | 14,140                   | 11,391    | 1,642,138    | 1,605,722    | -2.22%                        |
| Restricted                                           | 1,670,225               | 2,007,605    | --                       | --        | 1,670,225    | 2,007,605    | 20.20%                        |
| Unrestricted                                         | 1,299,181               | 1,141,788    | 18,978                   | 38,070    | 1,318,159    | 1,179,858    | -10.49%                       |
| Total Net Position                                   | 4,597,404               | 4,743,724    | 33,118                   | 49,461    | 4,630,522    | 4,793,185    | 3.51%                         |
| Beginning Net Position                               | 4,298,587               | 4,597,404    | 25,412                   | 33,118    | 4,323,999    | 4,630,522    | 7.09%                         |
| Increase (Decrease) in Net Position                  | \$ 298,817              | \$ 146,320   | \$ 7,706                 | \$ 16,343 | \$ 306,523   | \$ 162,663   | 46.93%                        |
| Percentage of Increase (Decrease)<br>in Net Position | 6.95%                   | 3.18%        | 30.32%                   | 49.35%    | 7.09%        | 3.51%        |                               |

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 capital outlay certificates, intangible leases, early retirement payable, direct borrowing notes, 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, 2022

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**Changes in Net Position**

The School's total revenues totaled \$3,825,434 (See table A-4). Approximately 60% of the School's revenue comes from property taxes, with another 26% coming from State Aid . (See Table A-2).

Table A-2  
Willow Lake School District 12-3  
Sources of Revenues  
Fiscal Year 2021-2022

|                                  |                            |                       |
|----------------------------------|----------------------------|-----------------------|
| Taxes                            | \$ 2,276,919               | 59.52%                |
| State Sources                    | 993,695                    | 25.98%                |
| Operating Grants & Contributions | 319,582                    | 8.35%                 |
| Charges For Services             | 195,173                    | 5.10%                 |
| Other General Revenues           | 37,187                     | 0.97%                 |
| Unrestricted Investment Earnings | <u>2,878</u>               | <u>0.08%</u>          |
| <b>Total Revenue</b>             | <b><u>\$ 3,825,434</u></b> | <b><u>100.00%</u></b> |

The School's expenses totaled \$3,662,771 (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 2021-2022

|                              |                            |                       |
|------------------------------|----------------------------|-----------------------|
| Instruction                  | \$ 2,082,945               | 56.88%                |
| Support Services             | 1,149,180                  | 31.37%                |
| Interest - on Long-Term Debt | 82,165                     | 2.24%                 |
| Cocurricular Activities      | 171,780                    | 4.69%                 |
| Food Service                 | 173,602                    | 4.74%                 |
| Other Enterprise             | <u>3,099</u>               | <u>0.08%</u>          |
| <b>Total Expenditures</b>    | <b><u>\$ 3,662,771</u></b> | <b><u>100.00%</u></b> |

**Willow Lake School District No. 12-3**  
**Management Discussion and Analysis (MD&A)**  
**June 30, 2022**

**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

|                                         | Government Activities |                     | Business-type Activities |                  | Total               |                     | Total<br>Percentage<br>Change |
|-----------------------------------------|-----------------------|---------------------|--------------------------|------------------|---------------------|---------------------|-------------------------------|
|                                         | 2021                  | 2022                | 2021                     | 2022             | 2021                | 2022                |                               |
| Revenues                                |                       |                     |                          |                  |                     |                     |                               |
| Program Revenues                        |                       |                     |                          |                  |                     |                     |                               |
| Charge for Services                     | \$ 5,951              | \$ 180,929          | \$ 22,514                | \$ 14,244        | \$ 28,465           | \$ 195,173          | 585.66%                       |
| Operating Grants/<br>Contributions      | 302,747               | 138,356             | 98,229                   | 181,226          | 400,976             | 319,582             | -20.30%                       |
| General Revenues                        |                       |                     |                          |                  |                     |                     |                               |
| Taxes                                   | 2,309,097             | 2,276,919           | --                       | --               | 2,309,097           | 2,276,919           | -1.39%                        |
| Revenue State Sources                   | 989,366               | 993,695             | --                       | --               | 989,366             | 993,695             | 0.44%                         |
| Other general revenues                  | 44,951                | 37,187              | --                       | --               | 44,951              | 37,187              | -17.27%                       |
| Unrestricted Investment<br>Earnings     | 4,789                 | 2,871               | 9                        | 7                | 4,798               | 2,878               | -40.02%                       |
|                                         | <u>3,656,901</u>      | <u>3,629,957</u>    | <u>120,752</u>           | <u>195,477</u>   | <u>3,777,653</u>    | <u>3,825,434</u>    | <u>1.26%</u>                  |
| Expenses                                |                       |                     |                          |                  |                     |                     |                               |
| Instruction                             | 1,958,567             | 2,082,945           | --                       | --               | 1,958,567           | 2,082,945           | 6.35%                         |
| Support Services                        | 1,150,231             | 1,149,180           | --                       | --               | 1,150,231           | 1,149,180           | -0.09%                        |
| Community Services                      | 476                   | --                  | --                       | --               | 476                 | --                  | -100.00%                      |
| Interest on long-term debt              | 84,367                | 82,165              | --                       | --               | 84,367              | 82,165              | -2.61%                        |
| Co-curricular Activities                | 153,943               | 171,780             | --                       | --               | 153,943             | 171,780             | 11.59%                        |
| Food Service                            | --                    | --                  | 120,649                  | 173,602          | 120,649             | 173,602             | 43.89%                        |
| Other Enterprise                        | --                    | --                  | 2,897                    | 3,099            | 2,897               | 3,099               | 6.97%                         |
|                                         | <u>3,347,584</u>      | <u>3,486,070</u>    | <u>123,546</u>           | <u>176,701</u>   | <u>3,471,130</u>    | <u>3,662,771</u>    | <u>5.52%</u>                  |
| Excess (Deficiency)<br>Before Transfers | 309,317               | 143,887             | (2,794)                  | 18,776           | 306,523             | 162,663             | -46.93%                       |
| Transfers                               | (10,500)              | 2,433               | 10,500                   | (2,433)          | --                  | --                  | 0.00%                         |
| Increase (Decrease) in<br>Net Position  | 298,817               | 146,320             | 7,706                    | 16,343           | 306,523             | 162,663             | -46.93%                       |
| Beginning Net Position                  | 4,298,587             | 4,597,404           | 25,412                   | 33,118           | 4,323,999           | 4,630,522           | 7.09%                         |
| Ending Net Position                     | <u>\$ 4,597,404</u>   | <u>\$ 4,743,724</u> | <u>\$ 33,118</u>         | <u>\$ 49,461</u> | <u>\$ 4,630,522</u> | <u>\$ 4,793,185</u> | <u>3.51%</u>                  |

**Governmental Activities**

The School's governmental activities revenues totaled \$3,629,957 (See table A-4). This is \$26,944 less or less than a 1% decrease from last year.

The School's governmental activities expenses totaled \$3,486,070 (see table A-4). This is \$138,486 or approximately a 4% increase from last year.



**Willow Lake School District No. 12-3**  
Management Discussion and Analysis (MD&A)  
June 30, 2022

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**Business Type Activities**

Revenues of the School’s business-type activities increased by \$74,725 or approximately 62% and expenses increased by \$53,155 or approximately 43%.

**Financial Analysis of the School’s Funds**

Fund balances changed as follows: General Fund decreased \$137,332 as a result of increased expenses and decreased federal aid. The Capital Outlay Fund increased \$103,668 due to good management of expenses. The Special Education Fund increased \$55,169 which is comparable to prior year.

Overall, the cumulative fund balances increased \$21,505 from \$2,092,673 at the end of FY 2021 to \$2,114,178 at June 30, 2022.

**Budgetary Highlights**

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

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

**Capital Asset Administration**

At the end of 2022, 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 |
|--------------------------|-------------------------|---------------------|--------------------------|------------------|---------------------|----------------|
|                          | 2021                    | 2022                | 2021                     | 2022             |                     |                |
| Land                     | \$ 5,800                | \$ 5,800            | \$ --                    | \$ --            | \$ --               | 0.00%          |
| Buildings & Improvements | 3,955,641               | 3,833,373           | --                       | --               | (122,268)           | -3.09%         |
| Machinery & Equipment    | 321,699                 | 251,568             | 14,140                   | 11,391           | (72,880)            | -21.70%        |
| Intangible Lease Assets  | --                      | 83,174              | --                       | --               | 83,174              | 100.00%        |
| Library Books            | 9,859                   | 4,590               | --                       | --               | (5,269)             | -53.44%        |
| Total Capital Assets     | <u>\$ 4,292,999</u>     | <u>\$ 4,178,505</u> | <u>\$ 14,140</u>         | <u>\$ 11,391</u> | <u>\$ (117,243)</u> | <u>-2.72%</u>  |

Some of this year’s major capital asset purchases were a PowerEdge R440 Server, Newtek Tricaster Equipment, a new lawnmower, a new intangible lease, and a new squat rack.

**Willow Lake School District No. 12-3**  
Management Discussion and Analysis (MD&A)  
June 30, 2022

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**Long-Term Debt**

The Willow Lake School District had \$2,605,292 in outstanding debt and obligations see individual balances on Table A-6. This is a 3.56% decrease from last year as shown on Table A-6.

Table A-6  
Outstanding Debt and Obligations

|                                                      | <b>Governmental Activities</b> |                     | <b>Total Dollar<br/>Change</b> | <b>Total %<br/>Change</b> |
|------------------------------------------------------|--------------------------------|---------------------|--------------------------------|---------------------------|
|                                                      | <b>2021</b>                    | <b>2022</b>         |                                |                           |
| Capital Outlay Certificates                          | \$ 2,665,000                   | \$ 2,500,000        | \$ (165,000)                   | -6.19%                    |
| Intangible Lease                                     | --                             | 84,174              | 84,174                         | 100.00%                   |
| Early Retirement Payable                             | 19,864                         | 9,932               | (9,932)                        | -50.00%                   |
| Direct Borrowing Note                                | 10,803                         | 5,401               | (5,402)                        | -50.00%                   |
| Accrued Compensated Absences -<br>Governmental Funds | 4,650                          | 4,785               | 135                            | 2.90%                     |
| <b>Total Outstanding Debt</b>                        | <b>\$ 2,700,317</b>            | <b>\$ 2,604,292</b> | <b>\$ (96,025)</b>             | <b>-3.56%</b>             |

**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 less federal and state aid.

**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, 2022

|                                             | <b>Primary Government</b>          |                                     | <b>Total</b>        |
|---------------------------------------------|------------------------------------|-------------------------------------|---------------------|
|                                             | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> |                     |
| <b>Assets:</b>                              |                                    |                                     |                     |
| Cash and cash equivalents                   | \$ 1,790,396                       | \$ 48,500                           | \$ 1,838,896        |
| Investments-certificates of deposit         | 165,000                            | --                                  | 165,000             |
| Accounts receivable                         | --                                 | 76                                  | 76                  |
| Taxes receivable                            | 803,495                            | --                                  | 803,495             |
| Due from other government                   | 428,937                            | --                                  | 428,937             |
| Inventories                                 | --                                 | 2,448                               | 2,448               |
| Deposits                                    | 25,428                             | --                                  | 25,428              |
| Net pension asset                           | 607,310                            | --                                  | 607,310             |
| Capital assets:                             |                                    |                                     |                     |
| Land and construction in progress           | 5,800                              | --                                  | 5,800               |
| Other capital assets, net of depreciation   | 4,172,705                          | 11,391                              | 4,184,096           |
| <b>Total Assets</b>                         | <b>7,999,071</b>                   | <b>62,415</b>                       | <b>8,061,486</b>    |
| <b>Deferred Outflows of Resources:</b>      |                                    |                                     |                     |
| Pension-related deferred outflows           | 833,384                            | --                                  | 833,384             |
| <b>Total Deferred Outflows of Resources</b> | <b>833,384</b>                     | <b>--</b>                           | <b>833,384</b>      |
| <b>Liabilities:</b>                         |                                    |                                     |                     |
| Accounts payable                            | 540                                | --                                  | 540                 |
| Unearned revenue                            | --                                 | 11,838                              | 11,838              |
| Other current liabilities                   | 295,043                            | 1,116                               | 296,159             |
| Long-term liabilities:                      |                                    |                                     |                     |
| Due within one year                         | 199,838                            | --                                  | 199,838             |
| Due in more than one year                   | 2,404,454                          | --                                  | 2,404,454           |
| <b>Total Liabilities</b>                    | <b>2,899,875</b>                   | <b>12,954</b>                       | <b>2,912,829</b>    |
| <b>Deferred Inflows of Resources:</b>       |                                    |                                     |                     |
| Pension related deferred inflows            | 1,188,856                          | --                                  | 1,188,856           |
| <b>Total Deferred Inflows of Resources</b>  | <b>1,188,856</b>                   | <b>--</b>                           | <b>1,188,856</b>    |
| <b>Net Position:</b>                        |                                    |                                     |                     |
| Net investment in capital assets            | 1,594,331                          | 11,391                              | 1,605,722           |
| Restricted for:                             |                                    |                                     |                     |
| Capital outlay                              | 1,290,372                          | --                                  | 1,290,372           |
| Special education                           | 439,967                            | --                                  | 439,967             |
| Insurance purposes                          | 25,428                             | --                                  | 25,428              |
| SDRS pension purposes                       | 251,838                            | --                                  | 251,838             |
| Unrestricted                                | 1,141,788                          | 38,070                              | 1,179,858           |
| <b>Total Net Position</b>                   | <b>\$ 4,743,724</b>                | <b>\$ 49,461</b>                    | <b>\$ 4,793,185</b> |

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, 2022

| Functions/Programs                    | Expenses            | Program Revenues        |                                          | Net (Expenses) Revenues and<br>Changes in Net Position |                             | Total              |                     |
|---------------------------------------|---------------------|-------------------------|------------------------------------------|--------------------------------------------------------|-----------------------------|--------------------|---------------------|
|                                       |                     | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Primary Government                                     |                             |                    |                     |
|                                       |                     |                         |                                          | Governmental<br>Activities                             | Business-Type<br>Activities |                    |                     |
| <b>Governmental Activities:</b>       |                     |                         |                                          |                                                        |                             |                    |                     |
| Instruction                           | \$ 2,082,945        | \$ --                   | \$ 116,027                               | \$ (1,966,918)                                         | \$ --                       | \$ (1,966,918)     |                     |
| Support services                      | 1,149,180           | 164,697                 | 22,329                                   | (962,154)                                              | --                          | (962,154)          |                     |
| Interest on long-term debt            | 82,165              | --                      | --                                       | (82,165)                                               | --                          | (82,165)           |                     |
| Cocurricular activities               | 171,780             | 16,232                  | --                                       | (155,548)                                              | --                          | (155,548)          |                     |
| <b>Total Governmental Activities</b>  | <b>3,486,070</b>    | <b>180,929</b>          | <b>138,356</b>                           | <b>(3,166,785)</b>                                     | <b>--</b>                   | <b>(3,166,785)</b> |                     |
| <b>Business-Type Activities:</b>      |                     |                         |                                          |                                                        |                             |                    |                     |
| Food service                          | 173,602             | 11,743                  | 177,842                                  | --                                                     | 15,983                      | 15,983             |                     |
| Driver's education                    | 3,099               | 2,500                   | 3,384                                    | --                                                     | 2,785                       | 2,785              |                     |
| <b>Total Business Type Activities</b> | <b>176,701</b>      | <b>14,243</b>           | <b>181,226</b>                           | <b>--</b>                                              | <b>18,768</b>               | <b>18,768</b>      |                     |
| <b>Total Primary Government</b>       | <b>\$ 3,662,771</b> | <b>\$ 195,172</b>       | <b>\$ 319,582</b>                        | <b>(3,166,785)</b>                                     | <b>18,768</b>               | <b>(3,148,017)</b> |                     |
| <b>General Revenues:</b>              |                     |                         |                                          |                                                        |                             |                    |                     |
| <b>Taxes:</b>                         |                     |                         |                                          |                                                        |                             |                    |                     |
|                                       |                     |                         |                                          | 1,878,604                                              | --                          | 1,878,604          |                     |
|                                       |                     |                         |                                          | 398,315                                                | --                          | 398,315            |                     |
| <b>Revenue from State Sources:</b>    |                     |                         |                                          |                                                        |                             |                    |                     |
|                                       |                     |                         |                                          | 993,695                                                | --                          | 993,695            |                     |
|                                       |                     |                         |                                          | 2,871                                                  | 7                           | 2,878              |                     |
|                                       |                     |                         |                                          | 10,357                                                 | --                          | 10,357             |                     |
|                                       |                     |                         |                                          | 26,830                                                 | --                          | 26,830             |                     |
|                                       |                     |                         |                                          | 2,433                                                  | (2,433)                     | --                 |                     |
|                                       |                     |                         |                                          | <u>3,313,105</u>                                       | <u>(2,426)</u>              | <u>3,310,679</u>   |                     |
|                                       |                     |                         |                                          | Change in Net Position                                 | 146,320                     | 16,342             | 162,662             |
|                                       |                     |                         |                                          | <b>Net Position - Beginning of Year</b>                | <u>4,597,404</u>            | <u>33,119</u>      | <u>4,630,523</u>    |
|                                       |                     |                         |                                          | <b>Net Position - End of Year</b>                      | <u>\$ 4,743,724</u>         | <u>\$ 49,461</u>   | <u>\$ 4,793,185</u> |

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, 2022

|                                                                     | <b>General</b>             | <b>Capital<br/>Outlay</b>  | <b>Special<br/>Education</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---------------------------------------------------------------------|----------------------------|----------------------------|------------------------------|-----------------------------------------|
| <b>Assets:</b>                                                      |                            |                            |                              |                                         |
| Cash and cash equivalents                                           | \$ 622,201                 | \$ 838,573                 | \$ 329,622                   | \$ 1,790,396                            |
| Investments-certificates of deposit                                 | --                         | 165,000                    | --                           | 165,000                                 |
| Taxes receivable - current                                          | 379,738                    | 276,275                    | 140,974                      | 796,987                                 |
| Taxes receivable - delinquent                                       | 3,242                      | 2,135                      | 1,131                        | 6,508                                   |
| Due from other governments                                          | 420,548                    | 8,389                      | --                           | 428,937                                 |
| Deposits NPIP Reserve                                               | 25,428                     | --                         | --                           | 25,428                                  |
| <b>Total Assets</b>                                                 | <b><u>\$ 1,451,157</u></b> | <b><u>\$ 1,290,372</u></b> | <b><u>\$ 471,727</u></b>     | <b><u>\$ 3,213,256</u></b>              |
| <b>Liabilities and Fund Balances:</b>                               |                            |                            |                              |                                         |
| <b>Liabilities:</b>                                                 |                            |                            |                              |                                         |
| Accounts payable                                                    | \$ 540                     | \$ --                      | \$ --                        | \$ 540                                  |
| Contracts payable                                                   | 204,467                    | --                         | 23,640                       | 228,107                                 |
| Payroll deductions and withholding and<br>employer matching payable | 58,816                     | --                         | 8,120                        | 66,936                                  |
| <b>Total Liabilities</b>                                            | <b><u>263,823</u></b>      | <b><u>--</u></b>           | <b><u>31,760</u></b>         | <b><u>295,583</u></b>                   |
| <b>Deferred Inflows of Resources:</b>                               |                            |                            |                              |                                         |
| Unavailable Revenue                                                 | 382,980                    | 278,410                    | 142,105                      | 803,495                                 |
| <b>Total Deferred Inflows of Resources</b>                          | <b><u>382,980</u></b>      | <b><u>278,410</u></b>      | <b><u>142,105</u></b>        | <b><u>803,495</u></b>                   |
| <b>Fund Balances:</b>                                               |                            |                            |                              |                                         |
| Nonspendable                                                        | 25,428                     | --                         | --                           | 25,428                                  |
| <b>Restricted:</b>                                                  |                            |                            |                              |                                         |
| For capital outlay                                                  | --                         | 1,011,962                  | --                           | 1,011,962                               |
| For special education                                               | --                         | --                         | 297,862                      | 297,862                                 |
| Assigned                                                            | 2,400                      | --                         | --                           | 2,400                                   |
| Unassigned                                                          | 776,526                    | --                         | --                           | 776,526                                 |
| <b>Total Fund Balances</b>                                          | <b><u>804,354</u></b>      | <b><u>1,011,962</u></b>    | <b><u>297,862</u></b>        | <b><u>2,114,178</u></b>                 |
| <b>Total Liabilities and Fund Balances</b>                          | <b><u>\$ 1,451,157</u></b> | <b><u>\$ 1,290,372</u></b> | <b><u>\$ 471,727</u></b>     | <b><u>\$ 3,213,256</u></b>              |

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, 2022

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Total Fund Balances - Governmental Funds \$ 2,114,178

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. 4,178,505

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

|                             |                |             |
|-----------------------------|----------------|-------------|
| Intangible Lease Assets     | (84,174)       |             |
| Early Retirement Payable    | (9,932)        |             |
| Direct Borrowing Note       | (5,401)        |             |
| Capital Outlay Certificates | (2,500,000)    |             |
| Accrued Leave               | <u>(4,785)</u> | (2,604,292) |

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 803,495

Proportionate Share of Net Pension Asset 607,310

Pension related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (1,188,856)

Pension related deferred outflows are components of non current assets and therefore are not reported in the funds. 833,384

Net Position - Governmental Activities \$ 4,743,724

**Willow Lake School District No. 12-3**

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

June 30, 2022

|                                                                                | <u>General</u>      | <u>Capital<br/>Outlay</u> | <u>Special<br/>Education</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--------------------------------------------------------------------------------|---------------------|---------------------------|------------------------------|-----------------------------------------|
| <b>Revenues</b>                                                                |                     |                           |                              |                                         |
| Revenue from Local Sources:                                                    |                     |                           |                              |                                         |
| Taxes:                                                                         |                     |                           |                              |                                         |
| Ad valorem taxes                                                               | \$ 899,098          | \$ 657,560                | \$ 344,875                   | \$ 1,901,533                            |
| Prior years' ad valorem taxes                                                  | 1,290               | 354                       | 170                          | 1,814                                   |
| Utility taxes                                                                  | 398,315             | --                        | --                           | 398,315                                 |
| Penalties and interest on taxes                                                | 904                 | 636                       | 335                          | 1,875                                   |
| Earnings on Investments and Deposits                                           | 319                 | 2,411                     | 141                          | 2,871                                   |
| Cocurricular Activities:                                                       |                     |                           |                              |                                         |
| Admissions                                                                     | 10,677              | --                        | --                           | 10,677                                  |
| Other student activity income                                                  | 5,555               | --                        | --                           | 5,555                                   |
| Other Revenue from Local Sources:                                              |                     |                           |                              |                                         |
| Rentals                                                                        | 300                 | --                        | --                           | 300                                     |
| Contributions and donations                                                    | 8,557               | 1,800                     | --                           | 10,357                                  |
| Refund of prior years' expenditures                                            | 1,439               | --                        | --                           | 1,439                                   |
| Charges for services                                                           | 4,495               | --                        | 1,011                        | 5,506                                   |
| Other                                                                          | 257                 | 7,200                     | --                           | 7,457                                   |
| Revenue from Intermediate Sources:                                             |                     |                           |                              |                                         |
| County Sources:                                                                |                     |                           |                              |                                         |
| County apportionment                                                           | 11,463              | --                        | --                           | 11,463                                  |
| Revenue from State Sources:                                                    |                     |                           |                              |                                         |
| Grants-in-Aid:                                                                 |                     |                           |                              |                                         |
| Unrestricted grants-in-aid                                                     | 991,068             | --                        | --                           | 991,068                                 |
| Restricted grants-in-aid                                                       | 2,627               | --                        | --                           | 2,627                                   |
| Revenue from Federal Sources:                                                  |                     |                           |                              |                                         |
| Grants-in-Aid:                                                                 |                     |                           |                              |                                         |
| Restricted grants-in-aid received<br>directly from federal government          | 2,604               | 19,725                    | --                           | 22,329                                  |
| Restricted grants-in-aid received from<br>federal government through the state | 107,638             | 8,389                     | --                           | 116,027                                 |
| Total Revenues                                                                 | <u>\$ 2,446,606</u> | <u>\$ 698,075</u>         | <u>\$ 346,532</u>            | <u>\$ 3,491,213</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, 2022 (Continued)

|                                         | <u>General</u> | <u>Capital<br/>Outlay</u> | <u>Special<br/>Education</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|-----------------------------------------|----------------|---------------------------|------------------------------|-----------------------------------------|
| <b><u>Expenditures</u></b>              |                |                           |                              |                                         |
| Instructional Services:                 |                |                           |                              |                                         |
| Regular Programs:                       |                |                           |                              |                                         |
| Elementary                              | \$ 801,340     | \$ 54,728                 | \$ --                        | \$ 856,068                              |
| Middle/junior high                      | 185,696        | --                        | --                           | 185,696                                 |
| High school                             | 498,495        | 55,103                    | --                           | 553,598                                 |
| Preschool                               | 57,977         | --                        | --                           | 57,977                                  |
| Special Programs:                       |                |                           |                              |                                         |
| Programs for special education          | --             | --                        | 226,288                      | 226,288                                 |
| Educationally deprived                  | 73,095         | --                        | --                           | 73,095                                  |
| Support Services:                       |                |                           |                              |                                         |
| Students:                               |                |                           |                              |                                         |
| Guidance                                | 28,492         | --                        | --                           | 28,492                                  |
| Psychological                           | --             | --                        | 4,010                        | 4,010                                   |
| Health                                  | --             | --                        | 47,050                       | 47,050                                  |
| Speech pathology                        | --             | --                        | 7,006                        | 7,006                                   |
| Student therapy services                | --             | --                        | 4,899                        | 4,899                                   |
| Instructional Staff:                    |                |                           |                              |                                         |
| Improvement of instruction              | 18,086         | --                        | --                           | 18,086                                  |
| Educational media                       | 143,533        | 2,014                     | --                           | 145,547                                 |
| General Administration:                 |                |                           |                              |                                         |
| Board of education                      | 66,775         | --                        | 717                          | 67,492                                  |
| Executive administration                | 165,641        | --                        | --                           | 165,641                                 |
| School Administration:                  |                |                           |                              |                                         |
| Office of the principal                 | 76,587         | --                        | --                           | 76,587                                  |
| Other                                   | 652            | --                        | --                           | 652                                     |
| Business:                               |                |                           |                              |                                         |
| Fiscal services                         | 86,483         | 5,489                     | --                           | 91,972                                  |
| Facilities acquisition and construction | --             | 18,662                    | --                           | 18,662                                  |
| Operation and maintenance of plant      | 227,916        | 7,804                     | --                           | 235,720                                 |
| Student transportation                  | 170,639        | --                        | --                           | 170,639                                 |
| Food services                           | 5,425          | --                        | --                           | 5,425                                   |
| Central:                                |                |                           |                              |                                         |
| Information                             | 868            | --                        | --                           | 868                                     |
| Staff                                   | 606            | --                        | --                           | 606                                     |

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, 2022 (Continued)

|                                             | <u>General</u>    | <u>Capital<br/>Outlay</u> | <u>Special<br/>Education</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---------------------------------------------|-------------------|---------------------------|------------------------------|-----------------------------------------|
| Special Education:                          |                   |                           |                              |                                         |
| Transportation costs                        | --                | --                        | 1,393                        | 1,393                                   |
| Nonprogrammed Charges:                      |                   |                           |                              | --                                      |
| Early retirement payments                   | 9,932             | --                        | --                           | 9,932                                   |
| Debt Services:                              | --                | 260,809                   | --                           | 260,809                                 |
| Cocurricular Activities:                    |                   |                           |                              |                                         |
| Male activities                             | 42,780            | 15,320                    | --                           | 58,100                                  |
| Female activities                           | 41,043            | 8,154                     | --                           | 49,197                                  |
| Transportation                              | 23,255            | --                        | --                           | 23,255                                  |
| Combined activities                         | 8,672             | --                        | --                           | 8,672                                   |
| Capital Outlay                              | --                | 111,788                   | --                           | 111,788                                 |
| Total Expenditures                          | <u>2,733,988</u>  | <u>539,871</u>            | <u>291,363</u>               | <u>3,565,222</u>                        |
| Excess of Revenue Over (Under) Expenditures | (287,382)         | 158,204                   | 55,169                       | (74,009)                                |
| <b>Other Financing Sources (Uses):</b>      |                   |                           |                              |                                         |
| Transfer in                                 | 150,000           | 2,433                     | --                           | 152,433                                 |
| Transfer out                                | --                | (150,000)                 | --                           | (150,000)                               |
| General Long-Term Debt Issued               | --                | 92,416                    | --                           | 92,416                                  |
| Sale of Surplus Property                    | 50                | 615                       | --                           | 665                                     |
| Total Other Financing Sources (Uses)        | <u>150,050</u>    | <u>(54,536)</u>           | <u>--</u>                    | <u>95,514</u>                           |
| Net Change in Fund Balances                 | (137,332)         | 103,668                   | 55,169                       | 21,505                                  |
| <b>Fund Balance, Beginning of Year</b>      | <u>941,686</u>    | <u>908,294</u>            | <u>242,693</u>               | <u>2,092,673</u>                        |
| <b>Fund Balance, End of Year</b>            | <u>\$ 804,354</u> | <u>\$ 1,011,962</u>       | <u>\$ 297,862</u>            | <u>\$ 2,114,178</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, 2022

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|                                                                                                                                                                                                                            |                   |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Net Change in Fund Balances - Total Governmental Funds                                                                                                                                                                     | \$ 21,505         |
| 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.                                                 | 111,788           |
| 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.       | (226,282)         |
| 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                                                          | 178,644           |
| 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." | (26,618)          |
| 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.                                                             | (92,416)          |
| Governmental funds do not reflect the change in compensated absences and early retirement liabilities but the Statement of Activities reflects the change in these accruals through expenses.                              | 9,797             |
| Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.                                                               | <u>169,902</u>    |
| Change in net position of governmental activities                                                                                                                                                                          | <u>\$ 146,320</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 – Proprietary Funds  
June 30, 2022

|                                                                      | <b>Enterprise Funds</b>          |                                      |                         |
|----------------------------------------------------------------------|----------------------------------|--------------------------------------|-------------------------|
|                                                                      | <b>Food<br/>Service<br/>Fund</b> | <b>Other<br/>Enterprise<br/>Fund</b> | <b>Totals</b>           |
| <b>Assets:</b>                                                       |                                  |                                      |                         |
| Current Assets:                                                      |                                  |                                      |                         |
| Cash and cash equivalents                                            | \$ 38,385                        | \$ 10,115                            | \$ 48,500               |
| Accounts receivable, net                                             | 76                               | --                                   | 76                      |
| Inventory - supplies                                                 | 509                              | --                                   | 509                     |
| Inventory - stores for resale                                        | 1,939                            | --                                   | 1,939                   |
| Total Current Assets                                                 | <u>40,909</u>                    | <u>10,115</u>                        | <u>51,024</u>           |
| Noncurrent Assets:                                                   |                                  |                                      |                         |
| Machinery and equipment - local funds                                | 47,706                           | --                                   | 47,706                  |
| Less accumulated depreciation                                        | <u>(36,315)</u>                  | <u>--</u>                            | <u>(36,315)</u>         |
| Total Noncurrent Assets                                              | <u>11,391</u>                    | <u>--</u>                            | <u>11,391</u>           |
| <b>Total Assets</b>                                                  | <b><u>\$ 52,300</u></b>          | <b><u>\$ 10,115</u></b>              | <b><u>\$ 62,415</u></b> |
| <b>Liabilities:</b>                                                  |                                  |                                      |                         |
| Current Liabilities:                                                 |                                  |                                      |                         |
| Payroll deductions and withholdings<br>and employer matching payable | \$ 1,116                         | \$ --                                | \$ 1,116                |
| Unearned revenue                                                     | <u>11,838</u>                    | <u>--</u>                            | <u>11,838</u>           |
| Total Current Liabilities                                            | <u>12,954</u>                    | <u>--</u>                            | <u>12,954</u>           |
| <b>Net Position:</b>                                                 |                                  |                                      |                         |
| Net investment in capital assets                                     | 11,391                           | --                                   | 11,391                  |
| Unrestricted net position                                            | <u>27,955</u>                    | <u>10,115</u>                        | <u>38,070</u>           |
| <b>Total Net Position</b>                                            | <b><u>\$ 39,346</u></b>          | <b><u>\$ 10,115</u></b>              | <b><u>\$ 49,461</u></b> |

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, 2022

|                                           | <b>Enterprise Funds</b>          |                                      |                  |
|-------------------------------------------|----------------------------------|--------------------------------------|------------------|
|                                           | <b>Food<br/>Service<br/>Fund</b> | <b>Other<br/>Enterprise<br/>Fund</b> | <b>Totals</b>    |
| <b>Operating Revenue:</b>                 |                                  |                                      |                  |
| Food Sales:                               |                                  |                                      |                  |
| Student                                   | \$ 2,367                         | \$ --                                | \$ 2,367         |
| Adult                                     | 9,376                            | --                                   | 9,376            |
| Other charges for goods and services      | --                               | 2,500                                | 2,500            |
| Total Operating Revenue                   | <u>11,743</u>                    | <u>2,500</u>                         | <u>14,243</u>    |
| <b>Operating Expenses:</b>                |                                  |                                      |                  |
| Food Service:                             |                                  |                                      |                  |
| Salaries                                  | 44,603                           | 2,000                                | 46,603           |
| Employee benefits                         | 24,423                           | 153                                  | 24,576           |
| Purchased services                        | 1,945                            | --                                   | 1,945            |
| Supplies                                  | 6,356                            | 946                                  | 7,302            |
| Cost of sales - purchased                 | 84,186                           | --                                   | 84,186           |
| Cost of sales - donated                   | 9,340                            | --                                   | 9,340            |
| Depreciation                              | 2,749                            | --                                   | 2,749            |
| Total Operating Expenses                  | <u>173,602</u>                   | <u>3,099</u>                         | <u>176,701</u>   |
| Operating (Loss)                          | (161,859)                        | (599)                                | (162,458)        |
| <b>Nonoperating Revenues/Expenses:</b>    |                                  |                                      |                  |
| Investment Earnings                       | 3                                | 4                                    | 7                |
| Other local revenue                       | --                               | 3,384                                | 3,384            |
| State grants                              | 388                              | --                                   | 388              |
| Federal grants                            | 168,261                          | --                                   | 168,261          |
| Donated food                              | 9,193                            | --                                   | 9,193            |
| Total Nonoperating Revenue/<br>(Expenses) | <u>177,845</u>                   | <u>3,388</u>                         | <u>181,233</u>   |
| Income (Loss) Before Transfers            | 15,986                           | 2,789                                | 18,775           |
| Transfers (out)                           | <u>--</u>                        | <u>(2,433)</u>                       | <u>(2,433)</u>   |
| Change in Net Position                    | 15,986                           | 356                                  | 16,342           |
| <b>Net Position - Beginning Of Year</b>   | <u>23,360</u>                    | <u>9,759</u>                         | <u>33,119</u>    |
| <b>Net Position - End of Year</b>         | <u>\$ 39,346</u>                 | <u>\$ 10,115</u>                     | <u>\$ 49,461</u> |

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, 2022

|                                                                                       | <b>Enterprise Funds</b>          |                                      |                     |
|---------------------------------------------------------------------------------------|----------------------------------|--------------------------------------|---------------------|
|                                                                                       | <b>Food<br/>Service<br/>Fund</b> | <b>Other<br/>Enterprise<br/>Fund</b> | <b>Totals</b>       |
| <b>Cash Flows from Operating Activities</b>                                           |                                  |                                      |                     |
| Cash receipts from customers                                                          | \$ 20,368                        | \$ 2,500                             | \$ 22,868           |
| Cash payments to suppliers                                                            | (92,686)                         | (946)                                | (93,632)            |
| Cash payments to employees                                                            | (68,590)                         | (2,153)                              | (70,743)            |
| Net Cash (Used) by Operating Activities                                               | <u>(140,908)</u>                 | <u>(599)</u>                         | <u>(141,507)</u>    |
| <b>Cash Flows from Noncapital Financing Activities:</b>                               |                                  |                                      |                     |
| Transfers Out                                                                         | --                               | (2,433)                              | (2,433)             |
| Other local revenue                                                                   | --                               | 3,384                                | 3,384               |
| Cash reimbursements - state                                                           | 388                              | --                                   | 388                 |
| Cash reimbursements - federal                                                         | 168,261                          | --                                   | 168,261             |
| Net Cash Provided by Noncapital Financing Activities                                  | <u>168,649</u>                   | <u>951</u>                           | <u>169,600</u>      |
| <b>Cash Flows from Investing Activities:</b>                                          |                                  |                                      |                     |
| Investment Earnings                                                                   | 3                                | 4                                    | 7                   |
| Net Cash Provided by Investing Activities                                             | <u>3</u>                         | <u>4</u>                             | <u>7</u>            |
| <b>Net Change in Cash and Cash Equivalents</b>                                        | 27,744                           | 356                                  | 28,100              |
| <b>Cash and Cash Equivalents, Beginning of Year</b>                                   | 10,641                           | 9,759                                | 20,400              |
| <b>Cash and Cash Equivalents, End of Year</b>                                         | <u>\$ 38,385</u>                 | <u>\$ 10,115</u>                     | <u>\$ 48,500</u>    |
| <b>Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:</b> |                                  |                                      |                     |
| Operating (Loss)                                                                      | \$ (161,859)                     | \$ (599)                             | \$ (162,458)        |
| Adjustments to reconcile operating (loss) to net cash (used) by operating activities: |                                  |                                      |                     |
| Depreciation expense                                                                  | 2,749                            | --                                   | 2,749               |
| Value of commodities used                                                             | 9,340                            | --                                   | 9,340               |
| Change in Assets and Liabilities:                                                     |                                  |                                      |                     |
| Accounts receivable                                                                   | 448                              | --                                   | 448                 |
| Inventory                                                                             | (199)                            | --                                   | (199)               |
| Deferred revenue                                                                      | 8,177                            | --                                   | 8,177               |
| Accrued payroll expenses                                                              | 436                              | --                                   | 436                 |
| Net cash (used) by operating activities:                                              | <u>\$ (140,908)</u>              | <u>\$ (599)</u>                      | <u>\$ (141,507)</u> |
| <b>Noncash Investing, Capital and Financing Activities</b>                            |                                  |                                      |                     |
| Value of commodities received                                                         | <u>\$ 9,193</u>                  | <u>\$ --</u>                         | <u>\$ 9,193</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, 2022

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|                                                   | <b>Private -Purpose<br/>Trust Funds</b> | <b>Custodial<br/>Funds</b> |
|---------------------------------------------------|-----------------------------------------|----------------------------|
| <b>Assets:</b>                                    |                                         |                            |
| Cash and cash equivalents                         | \$ --                                   | \$ 40,028                  |
| Investments-certificates of deposit               | 32,235                                  | --                         |
| Total Assets                                      | \$ 32,235                               | \$ 40,028                  |
| <br><b>Net Position:</b>                          |                                         |                            |
| Scholarships                                      | \$ 32,235                               | \$ --                      |
| Individuals, organizations, and other governments | --                                      | 40,028                     |
| Total Net Position                                | \$ 32,235                               | \$ 40,028                  |

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, 2022

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|                                           | <b>Private-Purpose<br/>Trust Funds</b> | <b>Custodial<br/>Funds</b> |
|-------------------------------------------|----------------------------------------|----------------------------|
| <b>Additions:</b>                         |                                        |                            |
| Interest                                  | \$ 121                                 | \$ --                      |
| Collections for student activities        | --                                     | 89,022                     |
|                                           | 121                                    | 89,022                     |
| <b>Total Additions</b>                    | <b>121</b>                             | <b>89,022</b>              |
| <b>Deductions:</b>                        |                                        |                            |
| Trust deductions for scholarships awarded | --                                     | 85,824                     |
|                                           | --                                     | 85,824                     |
| <b>Total Deductions</b>                   | <b>--</b>                              | <b>85,824</b>              |
| <b>Change in Net Position</b>             | <b>121</b>                             | <b>3,198</b>               |
| <b>Net Position - Beginning</b>           | <b>32,114</b>                          | <b>36,830</b>              |
| <b>Net Position - Ending</b>              | <b>\$ 32,235</b>                       | <b>\$ 40,028</b>           |

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, 2022

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#### 1. Summary of Significant Accounting Policies:

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

##### a. 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, 2022

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

##### Fund Financial Statements:

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

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

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

##### **Governmental Funds:**

General Fund – A fund established by South Dakota Codified Laws (SDCL) 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, 2022

---

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

##### 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.

##### 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.

**Willow Lake School District No. 12-3**

Notes to the Financial Statements

June 30, 2022

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

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).

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, 2022 are amounts due from other governments.

## Willow Lake School District No. 12-3

### Notes to the Financial Statements

June 30, 2022

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

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.

#### 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.

**Willow Lake School District No. 12-3**

Notes to the Financial Statements

June 30, 2022

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

The total June 30, 2022 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, 2022 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 methods and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

|                                      | <u>Capitalization<br/>Threshold</u> | <u>Depreciation<br/>Method</u> | <u>Estimated<br/>Useful Life</u> |
|--------------------------------------|-------------------------------------|--------------------------------|----------------------------------|
| Land*                                | All                                 | NA                             | NA                               |
| 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.

**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.

## Willow Lake School District No. 12-3

### Notes to the Financial Statements

June 30, 2022

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

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 capital outlay certificates, early retirement benefits payable, compensated absences, direct borrowings, 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. 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 \$45,000 or more.

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

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

- The School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- 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, 2022

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#### 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. Program Revenues:

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

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

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

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

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.

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

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

## Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2022

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

#### k. Cash and Cash Equivalents:

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

#### l. Equity Classifications:

Government-Wide Financial Statements:

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

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
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.

#### m. Application of Net Position:

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



**Willow Lake School District No. 12-3**

Notes to the Financial Statements

June 30, 2022

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

n. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted 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’s assigned fund balance consists of amounts assigned for subsequent year’s budget in the General Fund. There was no balance in assigned fund balance for the year ended June 30, 2022.

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

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

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

o. Pensions:

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

## Willow Lake School District No. 12-3

### Notes to the Financial Statements

June 30, 2022

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#### 2. Implementation of New Accounting Standard:

During fiscal year 2022, the School District implemented GASB Statement No. 87, Leases, which requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the terms of the lease. The statement requires a lessee to recognize a lease liability and an intangible right-to-use asset.

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

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

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

**Investments** – In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments 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.

## Willow Lake School District No. 12-3

### Notes to the Financial Statements

June 30, 2022

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

**Assignment of Investment Income** – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The District’s policy is to credit all income from deposits and investment to the General Fund, except the Special Education Fund whose income is credited to the General Fund. 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.

#### 4. 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.

#### 5. 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, 2022 in the governmental funds.

**Willow Lake School District No. 12-3**

Notes to the Financial Statements

June 30, 2022

**6. Property Tax:**

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is 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.

**7. Changes in Capital Assets:**

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

|                                                       | <u>6/30/2021</u>    |                     |                  | <u>6/30/2022</u>    |
|-------------------------------------------------------|---------------------|---------------------|------------------|---------------------|
|                                                       | <u>Balance</u>      | <u>Increases</u>    | <u>Decreases</u> | <u>Balance</u>      |
| <b>Governmental Activities:</b>                       |                     |                     |                  |                     |
| Capital assets, not being depreciated/amortized:      |                     |                     |                  |                     |
| Land                                                  | \$ 5,800            | \$ --               | \$ --            | \$ 5,800            |
| Total capital assets not being depreciated/amortized  | <u>5,800</u>        | <u>--</u>           | <u>--</u>        | <u>5,800</u>        |
| Capital assets being depreciated/amortized:           |                     |                     |                  |                     |
| Buildings                                             | 5,001,963           | --                  | --               | 5,001,963           |
| Improvements                                          | 203,184             | 7,300               | --               | 210,484             |
| Machinery & Equipment                                 | 1,003,726           | 12,072              | 18,860           | 996,938             |
| Intangible Assets                                     | --                  | 92,416              | --               | 92,416              |
| Library Books                                         | 105,733             | --                  | --               | 105,733             |
| Total capital assets being depreciated/amortized      | <u>6,314,606</u>    | <u>111,788</u>      | <u>18,860</u>    | <u>6,407,534</u>    |
| Less accumulated depreciation/amortization for:       |                     |                     |                  |                     |
| Buildings                                             | 1,192,194           | 126,024             | --               | 1,318,218           |
| Improvements                                          | 57,312              | 3,544               | --               | 60,856              |
| Machinery & Equipment                                 | 682,027             | 82,203              | 18,860           | 745,370             |
| Intangible Assets                                     | --                  | 9,242               | --               | 9,242               |
| Library Books                                         | 95,874              | 5,269               | --               | 101,143             |
| Total accumulated depreciation/amortization           | <u>2,027,407</u>    | <u>226,282</u>      | <u>18,860</u>    | <u>2,234,829</u>    |
| Total capital assets being depreciated/amortized, net | <u>4,287,199</u>    | <u>(114,494)</u>    | <u>--</u>        | <u>4,172,705</u>    |
| Net Capital Assets                                    | <u>\$ 4,292,999</u> | <u>\$ (114,494)</u> | <u>\$ --</u>     | <u>\$ 4,178,505</u> |

**Willow Lake School District No. 12-3**

Notes to the Financial Statements

June 30, 2022

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

Depreciation/amortization expense was charged to functions as follows:

|                                         |                   |
|-----------------------------------------|-------------------|
| Instruction                             | \$ 130,224        |
| Support services                        | 54,260            |
| Amortization                            | 9,242             |
| Co-curricular activities                | 32,556            |
| Total Depreciation/Amortization Expense | <u>\$ 226,282</u> |

|                                    | <u>6/30/2021</u> | <u>Increases</u>  | <u>Decreases</u> | <u>6/30/2022</u> |
|------------------------------------|------------------|-------------------|------------------|------------------|
| <b>Business-Type Activities:</b>   |                  |                   |                  |                  |
| Capital assets, being depreciated: |                  |                   |                  |                  |
| Machinery & Equipment              | \$ 47,706        | \$ --             | \$ --            | \$ 47,706        |
| Less accumulated depreciation for: |                  |                   |                  |                  |
| Machinery & Equipment              | 33,566           | 2,749             | --               | 36,315           |
| Total capital assets, net          | <u>\$ 14,140</u> | <u>\$ (2,749)</u> | <u>\$ --</u>     | <u>\$ 11,391</u> |

Depreciation expense was charged to functions as follows:

|                                  |                 |
|----------------------------------|-----------------|
| <b>Business-Type Activities:</b> |                 |
| Food Service                     | <u>\$ 2,749</u> |

**8. Long-Term Liabilities:**

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

|                                 | <u>6/30/2021</u>    | <u>Increase</u>  | <u>Decrease</u>   | <u>6/30/2022</u>    | <u>Due Within<br/>One Year</u> |
|---------------------------------|---------------------|------------------|-------------------|---------------------|--------------------------------|
| <b>Governmental Activities:</b> |                     |                  |                   |                     |                                |
| Bonds Payable:                  |                     |                  |                   |                     |                                |
| Capital Outlay Certificates     | \$ 2,665,000        | \$ --            | \$ 165,000        | \$ 2,500,000        | \$ 165,000                     |
| Other Liabilities:              |                     |                  |                   |                     |                                |
| Compensated Absences            | 4,650               | 135              | --                | 4,785               | 2,393                          |
| Early Retirement Payable        | 19,864              | --               | 9,932             | 9,932               | 9,932                          |
| Direct Borrowing Note           | 10,803              | --               | 5,402             | 5,401               | 5,401                          |
| Right to Use asset:             |                     |                  |                   |                     |                                |
| Copier Leases                   | --                  | 92,416           | 8,242             | 84,174              | 17,112                         |
| Total Long-Term Liabilities     | <u>\$ 2,700,317</u> | <u>\$ 92,551</u> | <u>\$ 188,576</u> | <u>\$ 2,604,292</u> | <u>\$ 199,838</u>              |

**Willow Lake School District No. 12-3**

Notes to the Financial Statements

June 30, 2022

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

Compensated absences for governmental activities and early retirement benefits payable typically have been liquidated from the General Fund.

Liabilities payable at June 30, 2022 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. | \$ 2,500,000 |
| Willow Lake School District No 12-3 Direct Borrowing Note                    | During October 2017, the School District entered into an agreement to receive copiers in the amount of \$27,006. There is an interest rate of 0.00% assessed on this notes. Final payment is September 2023. The Capital Outlay Fund makes payment on this debt.                                      | \$ 5,401     |
| 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.                                       | \$ 84,174    |
| Compensated Absences –                                                       |                                                                                                                                                                                                                                                                                                       |              |
| Payable from the fund to which payroll expenditures are charged              |                                                                                                                                                                                                                                                                                                       | \$ 4,785     |
| Early Retirement Payable --                                                  |                                                                                                                                                                                                                                                                                                       |              |
| Payable from the fund to which payroll expenditures are charged              |                                                                                                                                                                                                                                                                                                       | \$ 9,932     |

**Willow Lake School District No. 12-3**

Notes to the Financial Statements

June 30, 2022

**8. 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, 2022 are as follows:

| Year Ending<br>June 30, | Intangible Lease |                 | Capital Outlay Certificates |                   | Direct          | Totals              |                   |
|-------------------------|------------------|-----------------|-----------------------------|-------------------|-----------------|---------------------|-------------------|
|                         | Principal        | Interest        | Principal                   | Interest          | Borrowing       | Principal           | Interest          |
|                         |                  |                 |                             |                   | Principal       |                     |                   |
| 2023                    | \$ 17,112        | \$ 3,820        | \$ 165,000                  | \$ 56,275         | \$ 5,401        | \$ 187,513          | \$ 60,095         |
| 2024                    | 17,989           | 2,945           | 170,000                     | 51,250            | --              | 187,989             | 54,195            |
| 2025                    | 18,908           | 2,024           | 175,000                     | 46,075            | --              | 193,908             | 48,099            |
| 2026                    | 19,877           | 1,057           | 180,000                     | 40,750            | --              | 199,877             | 41,807            |
| 2027                    | 10,288           | 150             | 185,000                     | 35,275            | --              | 195,288             | 35,425            |
| 2028-2032               | --               | --              | 985,000                     | 107,550           | --              | 985,000             | 107,550           |
| 2033-2037               | --               | --              | 640,000                     | 25,700            | --              | 640,000             | 25,700            |
| Totals                  | <u>\$ 84,174</u> | <u>\$ 9,996</u> | <u>\$ 2,500,000</u>         | <u>\$ 362,875</u> | <u>\$ 5,401</u> | <u>\$ 2,589,575</u> | <u>\$ 372,871</u> |

**9. Restricted Net Position:**

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

| Purpose               | Restricted By | Amount              |
|-----------------------|---------------|---------------------|
| Major Purposes:       |               |                     |
| Capital Outlay        | Law           | \$ 1,290,372        |
| Special Education     | Law           | 439,967             |
| Insurance Purposes    | Law           | 25,428              |
| SDRS Pension Purposes | Law           | 251,838             |
| Total                 |               | <u>\$ 2,007,605</u> |

**10. Interfund Transfers:**

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

|                                                                                                                                                                                             |            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| Transfer from the Other Enterprise Fund to the Capital Outlay Fund for Capital Outlay item purchased.                                                                                       | \$ 2,433   |
| 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. | \$ 150,000 |

## Willow Lake School District No. 12-3

### Notes to the Financial Statements

June 30, 2022

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#### 11. Pension Plan:

##### Plan Information:

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

##### Benefits Provided:

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

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

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



**Willow Lake School District No. 12-3**

Notes to the Financial Statements

June 30, 2022

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**11. 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 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

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. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District’s share of contributions to the SDRS for the years ended June 30, 2022, 2021 and 2020, equal to required contributions each year, were as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2022        | \$ 113,180    |
| 2021        | \$ 107,976    |
| 2020        | \$ 104,665    |

**Willow Lake School District No. 12-3**

Notes to the Financial Statements

June 30, 2022

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

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

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

|                                                                         |                     |
|-------------------------------------------------------------------------|---------------------|
| Proportionate share of pension liability                                | \$ 10,996,170       |
| Less proportionate share of net pension restricted for pension benefits | <u>11,603,480</u>   |
| Proportionate share of net pension (asset)                              | <u>\$ (607,310)</u> |

At June 30, 2022, the School District reported an asset of (\$607,310) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2021 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the School District's proportion was 0.07930100%, which is a decrease of 0.0001819% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District recognized reduction of pension expense of (\$169,901). At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

|                                                                                                              | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Difference between expected and actual experience                                                            | \$ 21,804                                     | \$ 1,592                                     |
| Changes in assumption                                                                                        | 698,400                                       | 304,133                                      |
| Net difference between projected and actual earnings on pension plan investments                             | --                                            | 867,554                                      |
| Changes in proportion and difference between district contributions and proportionate share of contributions | --                                            | 15,577                                       |
| District contributions subsequent to the measurement date                                                    | <u>113,180</u>                                | <u>--</u>                                    |
| Total                                                                                                        | <u>\$ 833,384</u>                             | <u>\$ 1,188,856</u>                          |

**Willow Lake School District No. 12-3**

Notes to the Financial Statements

June 30, 2022

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

\$113,180 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

|  | <b>Year Ended</b> |                     |
|--|-------------------|---------------------|
|  | <b>June 30,</b>   |                     |
|  | 2023              | \$ (118,611)        |
|  | 2024              | (82,558)            |
|  | 2025              | (23,421)            |
|  | 2026              | (244,062)           |
|  | Total             | <u>\$ (468,652)</u> |

Actuarial Assumptions:

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

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

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

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

**Willow Lake School District No. 12-3**

Notes to the Financial Statements

June 30, 2022

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

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|--------------------|--------------------------|-----------------------------------------------|
| Global equity      | 58.0%                    | 4.3%                                          |
| Fixed income       | 30.0%                    | 1.6%                                          |
| Real estate        | 10.0%                    | 4.6%                                          |
| Cash               | 2.0%                     | 0.9%                                          |
| Total              | <u>100.0%</u>            |                                               |

Discount Rate:

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

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 net pension (asset) | <u>\$ 983,386</u>  | <u>\$ (607,310)</u>          | <u>\$ (1,898,585)</u> |

## Willow Lake School District No. 12-3

### Notes to the Financial Statements

June 30, 2022

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

##### Pension Plan Fiduciary Net Position:

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

##### Payables to the Pension Plan:

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

#### 12. 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     | 3.26%  | Henry School District No. 14-2         | 2.24% |
| Britton-Hecla School District No. 45-4 | 5.42%  | Iroquois School District No. 02-3      | 2.55% |
| Castlewood School District No. 28-1    | 3.95%  | Lake Preston School District No. 38-3  | 2.09% |
| Clark School District No. 12-2         | 5.49%  | Oldham-Ramona School District No. 39-5 | 1.92% |
| DeSmet School District No. 38-2        | 3.60%  | Rosholt School District No. 54-4       | 3.03% |
| Deubrook School District No. 5-6       | 4.84%  | Rutland School District No. 39-4       | 2.21% |
| Deuel School District No. 19-4         | 6.51%  | Sioux Valley School District No. 5-5   | 8.35% |
| Elkton School District No. 5-3         | 5.03%  | Summit School District No. 54-6        | 2.12% |
| Enemy Swim Day School                  | 1.69%  | Waubay School District No. 18-3        | 2.32% |
| Estelline School District No. 28-2     | 3.42%  | Waverly School District No. 14-5       | 3.17% |
| Florence School District No. 14-1      | 3.59%  | Webster School District No. 18-4       | 6.25% |
| Hamlin School District No. 28-3        | 10.72% | Willow Lake School District No. 12-3   | 3.51% |
|                                        |        | Wilmot School District No. 54-7        | 2.72% |

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.

**Willow Lake School District No. 12-3**

Notes to the Financial Statements

June 30, 2022

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**12. Joint Ventures: (Continued)**

At June 30, 2022, the joint venture had the following:

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

**13. Risk Management:**

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

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.

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.

## Willow Lake School District No. 12-3

### Notes to the Financial Statements

June 30, 2022

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#### **13. Risk Management: (Continued)**

##### 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, 2022, one claim was filed and \$0 was paid out. At June 30, 2022, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

#### **14. 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 2022 two employees participated in the program. Payments to the employees totaled \$9,932 during the year.

#### **15. Significant Contingencies – Litigation:**

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

#### **16. Subsequent Events:**

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

#### **17. Restatement and Implementation of New Standards:**

As of June 30, 2022, the School District implemented GASB Statement No. 87, Leases, which requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. There was no effect on the beginning net position as a result of implementation of the standard.

## Required Supplementary Information



**Willow Lake School District No. 12-3**

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis  
June 30, 2022

|                                                                                | Budgeted Amounts    |                     | Actual<br>Amounts   | Variance with<br>Final Budget |
|--------------------------------------------------------------------------------|---------------------|---------------------|---------------------|-------------------------------|
|                                                                                | Original            | Final               |                     | Positive<br>(Negative)        |
| <b>Revenues</b>                                                                |                     |                     |                     |                               |
| Revenue from Local Sources:                                                    |                     |                     |                     |                               |
| Taxes:                                                                         |                     |                     |                     |                               |
| Ad valorem taxes                                                               | \$ 922,000          | \$ 922,000          | \$ 899,098          | \$ (22,902)                   |
| Prior years' ad valorem taxes                                                  | 5,000               | 5,000               | 1,290               | (3,710)                       |
| Utility taxes                                                                  | 377,440             | 377,440             | 398,315             | 20,875                        |
| Penalties and interest on taxes                                                | 1,300               | 1,300               | 904                 | (396)                         |
| Earnings on Investments and Deposits                                           | 1,000               | 1,000               | 319                 | (681)                         |
| Cocurricular Activities:                                                       |                     |                     |                     |                               |
| Admissions                                                                     | 10,300              | 10,300              | 10,677              | 377                           |
| Other student activity income                                                  | 5,550               | 5,550               | 5,555               | 5                             |
| Other Revenue from Local Sources:                                              |                     |                     |                     |                               |
| Rentals                                                                        | 500                 | 500                 | 300                 | (200)                         |
| Contributions and donations                                                    | 6,500               | 6,500               | 8,557               | 2,057                         |
| Refund of prior years expenditures                                             | 3,000               | 3,000               | 1,439               | (1,561)                       |
| Charges for services                                                           | 5,200               | 5,200               | 4,495               | (705)                         |
| Other                                                                          | 2,500               | 2,500               | 257                 | (2,243)                       |
| Revenue from Intermediate Sources:                                             |                     |                     |                     |                               |
| County Sources:                                                                |                     |                     |                     |                               |
| County apportionment                                                           | 10,000              | 10,000              | 11,463              | 1,463                         |
| Revenue in lieu of taxes                                                       | 2,500               | 2,500               | --                  | (2,500)                       |
| Revenue from State Sources:                                                    |                     |                     |                     |                               |
| Grants-in-Aid:                                                                 |                     |                     |                     |                               |
| Unrestricted grants-in-aid                                                     | 990,160             | 990,160             | 991,068             | 908                           |
| Restricted grants-in-aid                                                       | 2,400               | 2,400               | 2,627               | 227                           |
| Revenue from Federal Sources:                                                  |                     |                     |                     |                               |
| Grants-in-Aid:                                                                 |                     |                     |                     |                               |
| Restricted grants-in-aid received directly from<br>federal government          | 2,700               | 2,700               | 2,604               | (96)                          |
| Restricted grants-in-aid received from<br>federal government through the state | 138,121             | 138,121             | 107,638             | (30,483)                      |
| <b>Total Revenues</b>                                                          | <b>\$ 2,486,171</b> | <b>\$ 2,486,171</b> | <b>\$ 2,446,606</b> | <b>\$ (39,565)</b>            |

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, 2022 (Continued)

|                                        | Budgeted Amounts  |                   | Actual<br>Amounts | Variance with<br>Final Budget |
|----------------------------------------|-------------------|-------------------|-------------------|-------------------------------|
|                                        | Original          | Final             |                   | Positive<br>(Negative)        |
| <b>Expenditures</b>                    |                   |                   |                   |                               |
| Instructional Services:                |                   |                   |                   |                               |
| Regular Programs:                      |                   |                   |                   |                               |
| Elementary                             | \$ 822,681        | \$ 822,681        | \$ 801,340        | \$ 21,341                     |
| Middle/junior high                     | 199,434           | 199,434           | 185,696           | 13,738                        |
| High school                            | 514,330           | 514,330           | 498,495           | 15,835                        |
| Preschool                              | 58,409            | 58,409            | 57,977            | 432                           |
| Special Programs:                      |                   |                   |                   |                               |
| Educationally deprived                 | 78,870            | 78,870            | 73,095            | 5,775                         |
| Support Services:                      |                   |                   |                   |                               |
| Students:                              |                   |                   |                   |                               |
| Guidance                               | 28,535            | 28,535            | 28,492            | 43                            |
| Instructional Staff:                   |                   |                   |                   |                               |
| Improvement of instruction             | 23,365            | 23,365            | 18,086            | 5,279                         |
| Educational media                      | 143,640           | 143,640           | 143,533           | 107                           |
| General Administration:                |                   |                   |                   |                               |
| Board of education                     | 68,325            | 68,325            | 66,775            | 1,550                         |
| Executive administration               | 166,794           | 166,794           | 165,641           | 1,153                         |
| School Administration:                 |                   |                   |                   |                               |
| Office of the principal                | 77,138            | 77,138            | 76,587            | 551                           |
| Other                                  | 680               | 680               | 652               | 28                            |
| Business:                              |                   |                   |                   |                               |
| Fiscal services                        | 87,094            | 87,094            | 86,483            | 611                           |
| Operation and maintenance of plant     | 231,865           | 231,865           | 227,916           | 3,949                         |
| Student transportation                 | 170,596           | 170,596           | 170,639           | (43)                          |
| Food service                           | 5,830             | 5,830             | 5,425             | 405                           |
| Central:                               |                   |                   |                   |                               |
| Information                            | 875               | 875               | 868               | 7                             |
| Staff                                  | 610               | 610               | 606               | 4                             |
| Nonprogrammed Charges:                 |                   |                   |                   |                               |
| Unemployment                           | 5,000             | 5,000             | --                | 5,000                         |
| Early Retirement                       | 9,932             | 9,932             | 9,932             | --                            |
| Cocurricular Activities:               |                   |                   |                   |                               |
| Male activities                        | 48,065            | 48,065            | 42,780            | 5,285                         |
| Female activities                      | 41,075            | 41,075            | 41,043            | 32                            |
| Transportation                         | 23,262            | 23,262            | 23,255            | 7                             |
| Combined activities                    | 9,070             | 9,070             | 8,672             | 398                           |
| Total Expenditures                     | <u>2,815,475</u>  | <u>2,815,475</u>  | <u>2,733,988</u>  | <u>81,487</u>                 |
| Excess of Revenues Over Expenditures   | <u>(329,304)</u>  | <u>(329,304)</u>  | <u>(287,382)</u>  | <u>41,922</u>                 |
| <b>Other Financing Sources:</b>        |                   |                   |                   |                               |
| Operating transfers in                 | 165,000           | 165,000           | 150,000           | (15,000)                      |
| Operating transfers out                | (7,500)           | (7,500)           | --                | 7,500                         |
| Sale of surplus property               | --                | --                | 50                | 50                            |
| Total Other Financing Sources:         | <u>157,500</u>    | <u>157,500</u>    | <u>150,050</u>    | <u>(7,450)</u>                |
| Net Change in Fund Balances            | (171,804)         | (171,804)         | (137,332)         | 34,472                        |
| <b>Fund Balance, Beginning of Year</b> | <u>941,686</u>    | <u>941,686</u>    | <u>941,686</u>    | <u>--</u>                     |
| <b>Fund Balance, End of Year</b>       | <u>\$ 769,882</u> | <u>\$ 769,882</u> | <u>\$ 804,354</u> | <u>\$ 34,472</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, 2022

|                                                                                | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Amounts</u> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--------------------------------------------------------------------------------|-------------------------|-------------------|---------------------------|-------------------------------------------------------------------|
|                                                                                | <u>Original</u>         | <u>Final</u>      |                           | <u>(Negative)</u>                                                 |
| <b>Revenues</b>                                                                |                         |                   |                           |                                                                   |
| Revenue from Local Sources:                                                    |                         |                   |                           |                                                                   |
| Taxes:                                                                         |                         |                   |                           |                                                                   |
| Ad valorem taxes                                                               | \$ 627,400              | \$ 627,400        | \$ 657,560                | \$ 30,160                                                         |
| Prior years' ad valorem taxes                                                  | 1,400                   | 1,400             | 354                       | (1,046)                                                           |
| Penalties and interest on taxes                                                | 1,000                   | 1,000             | 636                       | (364)                                                             |
| Earnings on Investments & Deposits                                             | 4,500                   | 4,500             | 2,411                     | (2,089)                                                           |
| Other Revenue from Local Sources:                                              |                         |                   |                           |                                                                   |
| Contributions and donations                                                    | 2,000                   | 2,000             | 1,800                     | (200)                                                             |
| Other                                                                          | --                      | --                | 7,200                     | 7,200                                                             |
| Revenue from Federal Sources:                                                  |                         |                   |                           |                                                                   |
| Grants-in-Aid:                                                                 |                         |                   |                           |                                                                   |
| Restricted grants-in-aid received directly<br>from the federal government      | 19,785                  | 19,785            | 19,725                    | (60)                                                              |
| Restricted grants-in-aid received from federal<br>government through the state | 98,390                  | 98,390            | 8,389                     | (90,001)                                                          |
| Other                                                                          | --                      | --                | --                        | --                                                                |
| Total Revenues                                                                 | <u>754,475</u>          | <u>754,475</u>    | <u>698,075</u>            | <u>(56,400)</u>                                                   |
| <b>Expenditures</b>                                                            |                         |                   |                           |                                                                   |
| Instructional Services:                                                        |                         |                   |                           |                                                                   |
| Regular Programs:                                                              |                         |                   |                           |                                                                   |
| Elementary                                                                     | 59,747                  | 59,747            | 56,867                    | 2,880                                                             |
| High school                                                                    | 65,043                  | 65,043            | 57,603                    | 7,440                                                             |
| Special Programs:                                                              |                         |                   |                           |                                                                   |
| Programs for special education                                                 | 1,200                   | 1,200             | --                        | 1,200                                                             |
| Support Services:                                                              |                         |                   |                           |                                                                   |
| Instructional Staff:                                                           |                         |                   |                           |                                                                   |
| Educational media                                                              | 2,285                   | 2,285             | 2,014                     | 271                                                               |
| Business:                                                                      |                         |                   |                           |                                                                   |
| Fiscal services                                                                | 6,800                   | 6,800             | 5,489                     | 1,311                                                             |
| Facilities acquisition and construction                                        | 260,500                 | 260,500           | 118,378                   | 142,122                                                           |
| Operation and maintenance of plant                                             | 20,000                  | 20,000            | 7,804                     | 12,196                                                            |
| Food Services                                                                  | 2,500                   | 2,500             | --                        | 2,500                                                             |
| Debt Services:                                                                 | 260,870                 | 260,870           | 260,809                   | 61                                                                |
| Cocurricular Activities:                                                       |                         |                   |                           |                                                                   |
| Male activities                                                                | 15,400                  | 15,400            | 17,753                    | (2,353)                                                           |
| Female activities                                                              | 14,830                  | 14,830            | 13,154                    | 1,676                                                             |
| Total Expenditures                                                             | <u>709,175</u>          | <u>709,175</u>    | <u>539,871</u>            | <u>169,304</u>                                                    |
| Excess of Revenue Over (Under)                                                 |                         |                   |                           |                                                                   |
| Expenditures                                                                   | <u>45,300</u>           | <u>45,300</u>     | <u>158,204</u>            | <u>112,904</u>                                                    |
| <b>Other Financing Sources (Uses):</b>                                         |                         |                   |                           |                                                                   |
| Transfers in                                                                   | --                      | --                | 2,433                     | 2,433                                                             |
| Transfers out                                                                  | (165,000)               | (165,000)         | (150,000)                 | 15,000                                                            |
| Proceeds of general long-term liabilities                                      | --                      | --                | 92,416                    | 92,416                                                            |
| Compensation for Loss of General Cap Assets                                    | --                      | --                | 615                       | 615                                                               |
| Total Other Financing Sources (Uses)                                           | <u>(165,000)</u>        | <u>(165,000)</u>  | <u>(54,536)</u>           | <u>110,464</u>                                                    |
| Net Change in Fund Balances                                                    | (119,700)               | (119,700)         | 103,668                   | 223,368                                                           |
| <b>Fund Balance, Beginning of Year</b>                                         | <u>908,294</u>          | <u>908,294</u>    | <u>908,294</u>            | <u>--</u>                                                         |
| <b>Fund Balance, End of Year</b>                                               | <u>\$ 788,594</u>       | <u>\$ 788,594</u> | <u>\$ 1,011,962</u>       | <u>\$ 223,368</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, 2022

|                                        | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Amounts</u> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|----------------------------------------|-------------------------|-------------------|---------------------------|-------------------------------------------------------------------|
|                                        | <u>Original</u>         | <u>Final</u>      |                           | <u>(Negative)</u>                                                 |
| <b>Revenues</b>                        |                         |                   |                           |                                                                   |
| Revenue from Local Sources:            |                         |                   |                           |                                                                   |
| Taxes:                                 |                         |                   |                           |                                                                   |
| Ad valorem taxes                       | \$ 316,015              | \$ 316,015        | \$ 344,875                | \$ 28,860                                                         |
| Prior years' ad valorem taxes          | 500                     | 500               | 170                       | (330)                                                             |
| Penalties and interest on taxes        | 500                     | 500               | 335                       | (165)                                                             |
| Earnings on Investments & Deposits     | 250                     | 250               | 141                       | (109)                                                             |
| Other Revenue from Local Sources:      |                         |                   |                           |                                                                   |
| Charges for services                   | 1,875                   | 1,875             | 1,011                     | (864)                                                             |
| Total Revenues                         | <u>319,140</u>          | <u>319,140</u>    | <u>346,532</u>            | <u>27,392</u>                                                     |
| <b>Expenditures</b>                    |                         |                   |                           |                                                                   |
| Instructional Services:                |                         |                   |                           |                                                                   |
| Special Programs:                      |                         |                   |                           |                                                                   |
| Programs for special education         | 234,737                 | 234,737           | 226,288                   | 8,449                                                             |
| Support Services:                      |                         |                   |                           |                                                                   |
| Students:                              |                         |                   |                           |                                                                   |
| Health                                 | 47,106                  | 47,106            | 47,050                    | 56                                                                |
| Psychological                          | 7,330                   | 7,330             | 4,010                     | 3,320                                                             |
| Speech pathology                       | 12,807                  | 12,807            | 7,006                     | 5,801                                                             |
| Student therapy services               | 8,960                   | 8,960             | 4,899                     | 4,061                                                             |
| Instructional staff:                   |                         |                   |                           |                                                                   |
| Improvement of instruction             | 60                      | 60                | --                        | 60                                                                |
| General Administration:                |                         |                   |                           |                                                                   |
| Board of education                     | 1,295                   | 1,295             | 717                       | 578                                                               |
| Special Education:                     |                         |                   |                           |                                                                   |
| Administrative costs                   | 3,670                   | 3,670             | --                        | 3,670                                                             |
| Transportation costs                   | 2,875                   | 2,875             | 1,393                     | 1,482                                                             |
| Other special education costs          | 300                     | 300               | --                        | 300                                                               |
| Total Expenditures                     | <u>319,140</u>          | <u>319,140</u>    | <u>291,363</u>            | <u>27,777</u>                                                     |
| Net Change in Fund Balance             | --                      | --                | 55,169                    | 55,169                                                            |
| <b>Fund Balance, Beginning of Year</b> | <u>242,693</u>          | <u>242,693</u>    | <u>242,693</u>            | --                                                                |
| <b>Fund Balance, End of Year</b>       | <u>\$ 242,693</u>       | <u>\$ 242,693</u> | <u>\$ 297,862</u>         | <u>\$ 55,169</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, 2022

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**1. Budgets and Budgetary Accounting:**

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

- a. Prior to the first regular board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
- c. The proposed budget is published for public review no later than July 15 each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except 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>2022</u>  | <u>2021</u>  | <u>2020</u>  | <u>2019</u>  | <u>2018</u>  | <u>2017</u>  | <u>2016</u>  | <u>2015</u>  |
|---------------------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| District's proportion of the net pension liability (asset)                                                          | 0.0793010%   | 0.0794829%   | 0.0659973%   | 0.0656925%   | 0.0649524%   | 0.0643915%   | 0.0613303%   | 0.0572139%   |
| District's proportionate share of net pension liability (asset)                                                     | \$ (607,310) | \$ (3,452)   | \$ (6,994)   | \$ (1,532)   | \$ (5,894)   | \$ 217,508   | \$ (260,119) | \$ (412,203) |
| District's covered-employee payroll                                                                                 | \$ 1,799,593 | \$ 1,744,407 | \$ 1,352,839 | \$ 1,365,687 | \$ 1,320,097 | \$ 1,224,021 | \$ 1,119,721 | \$ 1,000,510 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 33.75%       | 0.20%        | 0.52%        | 0.11%        | 0.45%        | 17.77%       | 23.23%       | 41.20%       |
| Plan fiduciary net position as a percentage of the total pension liability (asset)                                  | 105.52%      | 100.04%      | 100.09%      | 100.02%      | 100.10%      | 96.89%       | 104.10%      | 107.30%      |

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

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

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

|                                                                      | <u>2022</u>    | <u>2021</u>    | <u>2020</u>    | <u>2019</u>   | <u>2018</u>   | <u>2017</u>   | <u>2016</u>   | <u>2015</u>   | <u>2014</u>   |
|----------------------------------------------------------------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually-required contribution                                  | \$ 113,180     | \$ 107,976     | \$ 104,665     | \$ 81,170     | \$ 81,941     | \$ 79,205     | \$ 73,441     | \$ 67,183     | \$ 60,031     |
| Contributions in relation to the contractually-required contribution | <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> | <u>67,183</u> | <u>60,031</u> |
| Contribution deficiency (excess)                                     | <u>\$ --</u>   | <u>\$ --</u>   | <u>\$ --</u>   | <u>\$ --</u>  | <u>\$ --</u>  | <u>\$ --</u>  | <u>\$ --</u>  | <u>\$ --</u>  | <u>\$ --</u>  |
| District's covered-employee payroll                                  | \$ 1,886,330   | \$ 1,799,593   | \$ 1,744,407   | \$ 1,352,839  | \$ 1,365,687  | \$ 1,320,097  | \$ 1,224,021  | \$ 1,119,721  | \$ 1,000,510  |
| Contributions as a percentage of employee-covered payroll            | 6.00%          | 6.00%          | 6.00%          | 6.00%         | 6.00%         | 6.00%         | 6.00%         | 6.00%         | 6.00%         |

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

## Willow Lake School District No. 12-3

### Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions For the Year Ended June 30, 2022

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#### **Changes from Prior Valuation**

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

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

#### **Benefit Provision Changes**

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

#### **Actuarial Assumption Changes**

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

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

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

#### **Actuarial Method Changes**

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