

Willow Lake School District No. 12-3

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

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

Willow Lake School District No. 12-3

School District Officials

June 30, 2023

Board Members

Julayne Thoreson ----- Board President

Jared Knock-----Vice President

Tia Filberg----- Member

Trav Bratland----- Member

Randy Nelson ----- Member

Chris Lee-----Superintendent

Melissa Burke -----Business Manager

Willow Lake School District No. 12-3

Table of Contents

	Page
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 <i>Government Auditing Standards</i> -----	1-2
Independent Auditor's Report -----	3-5
Management Discussion and Analysis (MD&A) -----	6-16
Government-Wide Financial Statements	
Statement of Net Position-----	17
Statement of Activities-----	18
Fund Financial Statements	
Governmental Funds:	
Balance Sheet-----	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position-----	20
Statement of Revenues, Expenditures and Changes in Fund Balances-----	21-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities-----	24
Proprietary Funds:	
Statement of Net Position-----	25
Statement of Revenues, Expenses and Changes in Net Position-----	26
Statement of Cash Flows-----	27
Fiduciary Funds:	
Statement of Net Position-----	28
Statement of Changes in Fiduciary Net Position-----	29
Notes to the Financial Statements -----	30-54
Required Supplementary Information -----	55
Budgetary Comparison Schedule - General Fund - Budgetary Basis-----	56-57
Budgetary Comparison Schedule - Capital Outlay Fund - Budgetary Basis-----	58
Budgetary Comparison Schedule - Special Education Fund - Budgetary Basis-----	59
Notes to the Required Supplementary Information-----	60
Schedule of the Proportionate Share of the Net Pension Liability (Asset)-----	61
Schedule of the School District Contributions-----	62
Notes to Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions-----	63-64



**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, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated January 19, 2024.

Report on Internal Control Over Financial Reporting

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

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



Elk Point, South Dakota
January 19, 2024



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, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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 January 19, 2024 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.



Elk Point, South Dakota
January 19, 2024

Willow Lake School District No. 12-3
Management Discussion and Analysis (MD&A)
June 30, 2023

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, 2023. 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 \$5,368,013 this is an increase of \$574,828 from prior year.
- During the year, the School's revenues generated from taxes and other revenues, of the governmental activities, was \$4,765,841. The total governmental activities expenses for the fiscal year ending June 30, 2023 were \$4,191,013.

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**

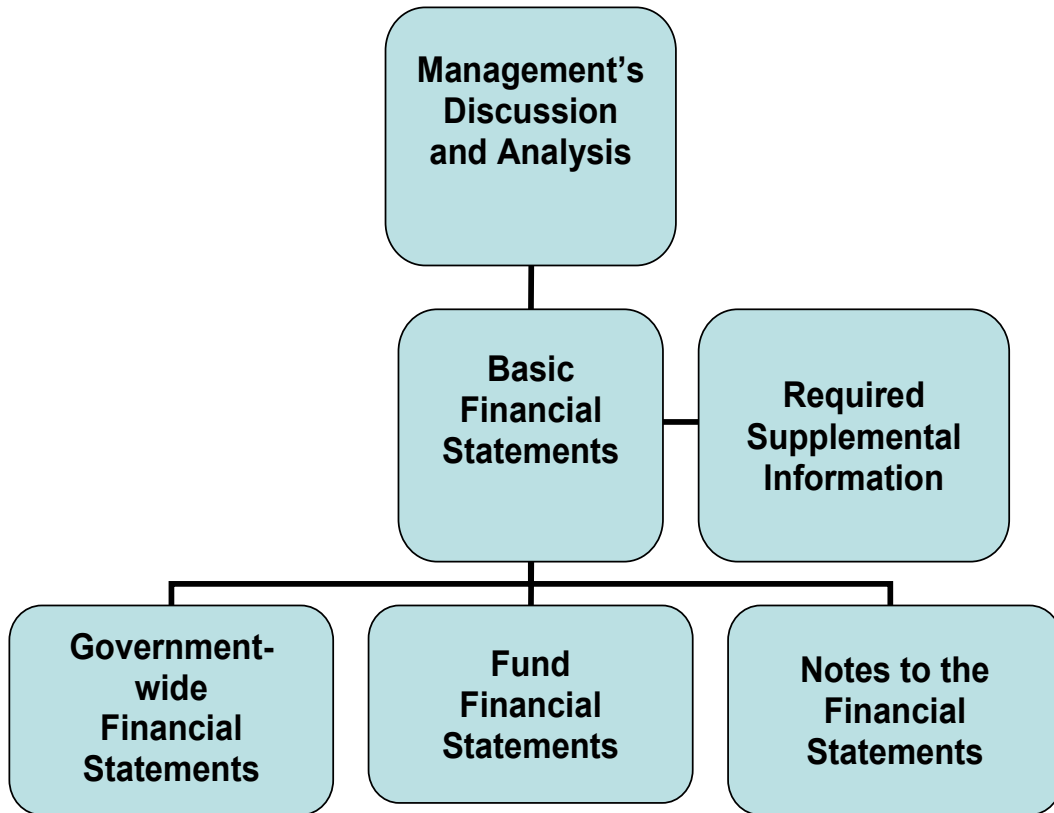


Figure A-2 summarizes the major features of the School’s financial statements, including the portion of the School government covered and the types of information contained. The remainder of the overview section of the management’s discussion and analysis explains the structure and contents of each of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

Willow Lake School District No. 12-3
Management Discussion and Analysis (MD&A)
June 30, 2023

Figure A-2

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

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

Willow Lake School District No. 12-3
Management Discussion and Analysis (MD&A)
June 30, 2023

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, 2023

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, 2023

Financial Analysis of the School as a Whole

Net Position

The School's combined net position increased as follows:

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2022	2023	2022	2023	2022	2023	2021-2022
Current and Other Assets	\$ 3,820,566	\$ 12,275,598	\$ 51,024	\$ 47,174	\$ 3,871,590	\$ 12,322,772	218.29%
Capital Assets (Net of Depreciation)	4,178,505	5,501,781	11,391	13,020	4,189,896	5,514,801	31.62%
Total Assets	<u>7,999,071</u>	<u>17,777,379</u>	<u>62,415</u>	<u>60,194</u>	<u>8,061,486</u>	<u>17,837,573</u>	<u>121.27%</u>
Pension Related Deferred Outflows	833,384	741,865	--	--	833,384	741,865	-10.98%
Total Deferred Outflows or Resources	<u>833,384</u>	<u>741,865</u>	<u>--</u>	<u>--</u>	<u>833,384</u>	<u>741,865</u>	<u>-10.98%</u>
Long-Term Liabilities Outstanding	2,604,292	12,302,988	--	--	2,604,292	12,302,988	372.41%
Other Liabilities	295,583	445,005	12,954	20,644	308,537	465,649	50.92%
Total Liabilities	<u>2,899,875</u>	<u>12,747,993</u>	<u>12,954</u>	<u>20,644</u>	<u>2,912,829</u>	<u>12,768,637</u>	<u>338.36%</u>
Pension Related Deferred Inflows	1,188,856	442,788	--	--	1,188,856	442,788	-62.76%
Total Deferred Inflows of Resources	<u>1,188,856</u>	<u>442,788</u>	<u>--</u>	<u>--</u>	<u>1,188,856</u>	<u>442,788</u>	<u>-62.76%</u>
Net Investment in Capital Assets	1,594,331	1,775,141	11,391	13,020	1,605,722	1,788,161	11.36%
Restricted	2,007,605	2,420,199	--	--	2,007,605	2,420,199	20.55%
Unrestricted	1,141,788	1,133,123	38,070	26,530	1,179,858	1,159,653	-1.71%
Total Net Position	<u>4,743,724</u>	<u>5,328,463</u>	<u>49,461</u>	<u>39,550</u>	<u>4,793,185</u>	<u>5,368,013</u>	<u>11.99%</u>
Beginning Net Position	4,597,404	4,743,724	33,119	49,461	4,630,523	4,793,185	3.51%
Increase (Decrease) in Net Position	<u>\$ 146,320</u>	<u>\$ 584,739</u>	<u>\$ 16,342</u>	<u>\$ (9,911)</u>	<u>\$ 162,662</u>	<u>\$ 574,828</u>	<u>-253.39%</u>
Percentage of Increase (Decrease) in Net Position	<u>3.18%</u>	<u>12.33%</u>	<u>49.34%</u>	<u>-20.04%</u>	<u>3.51%</u>	<u>11.99%</u>	

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

Willow Lake School District No. 12-3
Management Discussion and Analysis (MD&A)
June 30, 2023

Changes in Net Position

The School's total revenues totaled \$4,765,841 (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 2022-2023

Taxes	\$ 2,883,135	60.49%
State Sources	1,220,919	25.62%
Operating Grants & Contributions	345,125	7.24%
Charges For Services	134,298	2.82%
Other General Revenues	29,960	0.63%
Unrestricted Investment Earnings	<u>152,404</u>	<u>3.20%</u>
Total Revenue	<u>\$ 4,765,841</u>	<u>100.00%</u>

The School's expenses totaled \$4,191,013 (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 2022-2023

Instruction	\$ 2,347,725	56.02%
Support Services	1,234,832	29.46%
Interest - on Long-Term Debt	250,971	5.99%
Cocurricular Activities	173,368	4.14%
Food Service	178,482	4.26%
Other Enterprise	<u>5,635</u>	<u>0.13%</u>
Total Expenditures	<u>\$ 4,191,013</u>	<u>100.00%</u>

Willow Lake School District No. 12-3
Management Discussion and Analysis (MD&A)
June 30, 2023

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 Percentage Change
	2022	2023	2022	2023	2022	2023	
Revenues							
Program Revenues							
Charge for Services	\$ 180,929	\$ 58,552	\$ 14,243	\$ 75,746	\$ 195,172	\$ 134,298	-31.19%
Operating Grants/ Contributions	138,356	246,908	181,226	98,217	319,582	345,125	7.99%
General Revenues							
Taxes	2,276,919	2,883,135	--	--	2,276,919	2,883,135	26.62%
Revenue State Sources	993,695	1,220,919	--	--	993,695	1,220,919	22.87%
Other general revenues	37,187	29,960	--	--	37,187	29,960	-19.43%
Unrestricted Investment Earnings	2,871	152,161	7	243	2,878	152,404	5195.48%
	<u>3,629,957</u>	<u>4,591,635</u>	<u>195,476</u>	<u>174,206</u>	<u>3,825,433</u>	<u>4,765,841</u>	<u>24.58%</u>
Expenses							
Instruction	2,082,945	2,347,725	--	--	2,082,945	2,347,725	12.71%
Support Services	1,149,180	1,234,832	--	--	1,149,180	1,234,832	7.45%
Interest on long-term debt	82,165	250,971	--	--	82,165	250,971	205.45%
Co-curricular Activities	171,780	173,368	--	--	171,780	173,368	0.92%
Food Service	--	--	173,602	178,482	173,602	178,482	2.81%
Other Enterprise	--	--	3,099	5,635	3,099	5,635	81.83%
	<u>3,486,070</u>	<u>4,006,896</u>	<u>176,701</u>	<u>184,117</u>	<u>3,662,771</u>	<u>4,191,013</u>	<u>14.42%</u>
Excess (Deficiency) Before Transfers	143,887	584,739	18,775	(9,911)	162,662	574,828	253.39%
Transfers	2,433	--	(2,433)	--	--	--	0.00%
Increase (Decrease) in Net Position	146,320	584,739	16,342	(9,911)	162,662	574,828	253.39%
Beginning Net Position	4,597,404	4,743,724	33,119	49,461	4,630,523	4,793,185	3.51%
Ending Net Position	<u>\$ 4,743,724</u>	<u>\$ 5,328,463</u>	<u>\$ 49,461</u>	<u>\$ 39,550</u>	<u>\$ 4,793,185</u>	<u>\$ 5,368,013</u>	<u>11.99%</u>

Willow Lake School District No. 12-3
Management Discussion and Analysis (MD&A)
June 30, 2023

Governmental Activities

The School's governmental activities revenues totaled \$4,591,635 (See table A-4). This is \$961,678 more or approximately a 26% increase from last year.

The School's governmental activities expenses totaled \$4,006,896 (see table A-4). This is \$520,826 or approximately a 15% increase from last year.

Business Type Activities

Revenues of the School's business-type activities decreased by \$21,270 or approximately 11% and expenses increased by \$7,416 or approximately 4%.

Financial Analysis of the School's Funds

Fund balances changed as follows: General Fund decreased \$85,292 as a result of increased expenses and decreased revenues. The Capital Outlay Fund decreased \$170,716 as a result of increased expenses and decreased revenues. The Special Education Fund increased \$27,870 which is comparable to prior year. A Bond Redemption fund was opened during FY 2023. A Capital Projects Fund was also opened during FY 2023.

Overall, the cumulative fund balances increased \$8,633,310 from \$2,114,178 at the end of FY 2022 to \$10,747,488 at June 30, 2023.

Budgetary Highlights

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

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

Willow Lake School District No. 12-3
Management Discussion and Analysis (MD&A)
June 30, 2023

Capital Asset Administration

By the end of 2023, the school had invested \$5,514,801 (net of depreciation) in a broad range of capital assets. This amount represents an increase of \$1,324,906 (including additions and deductions or a 31.6% increase over last year. At the end of 2023, 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
	2022	2023	2022	2023		
Land	\$ 5,800	\$ 16,800	\$ --	\$ --	\$ 11,000	189.66%
Construction in progress	--	1,163,330	--	--	1,163,330	100.00%
Buildings & Improvements	3,812,164	3,896,090	--	--	83,926	2.20%
Machinery & Equipment	272,776	360,870	11,391	13,020	89,723	31.57%
Intangible Lease Assets	83,174	64,691	--	--	(18,483)	-22.22%
Library Books	4,590	--	--	--	(4,590)	-100.00%
Total Capital Assets	\$ 4,178,504	\$ 5,501,781	\$ 11,391	\$ 13,020	\$ 1,324,906	31.62%

Some of this year's major capital asset purchases were the Morton building and lot, new A/C units, a couple simulator mannequins, a few new buses, a hospital bed, a new computer and printer, and some new land.

Long-Term Debt

The Willow Lake School District had \$12,302,988 in outstanding debt and obligations see individual balances on Table A-6. This is a 372.41% increase from last year as shown on Table A-6.

Table A-6
Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total % Change
	2022	2023		
General Obligation Bonds	\$ --	\$ 9,800,000	\$ 9,800,000	100.00%
Capital Outlay Certificates	2,500,000	2,335,000	(165,000)	-6.60%
Intangible Lease	84,174	163,687	79,513	94.46%
Early Retirement Payable	9,932	--	(9,932)	-100.00%
Direct Borrowing Note	5,401	--	(5,401)	-100.00%
Accrued Compensated Absences - Governmental Funds	4,785	4,301	(484)	-10.11%
Total Outstanding Debt	\$ 2,604,292	\$ 12,302,988	\$ 9,698,696	372.41%

Willow Lake School District No. 12-3
Management Discussion and Analysis (MD&A)
June 30, 2023

Economic Factors and Next Year's Budgets and Rates

The School's current economic position is still strong. The School experienced an increase in net position due to long-term debt issued for a new capital project.

Contacting the School's Financial Management

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

Willow Lake School District No. 12-3
Statement of Net Position – Government-Wide
June 30, 2023

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 10,754,302	\$ 44,512	\$ 10,798,814
Accounts receivable	--	470	470
Taxes receivable	1,075,639	--	1,075,639
Due from other government	438,191	--	438,191
Inventories	--	2,192	2,192
Net pension asset	7,466	--	7,466
Capital assets:			
Land and construction in progress	1,180,130	--	1,180,130
Other capital assets, net of depreciation	4,321,651	13,020	4,334,671
Total Assets	17,777,379	60,194	17,837,573
Deferred Outflows of Resources:			
Pension-related deferred outflows	741,865	--	741,865
Total Deferred Outflows of Resources	741,865	--	741,865
Liabilities:			
Accounts payable	140,417	--	140,417
Unearned revenue	--	18,639	18,639
Other current liabilities	304,588	2,005	306,593
Long-term liabilities:			
Due within one year	221,805	--	221,805
Due in more than one year	12,081,183	--	12,081,183
Total Liabilities	12,747,993	20,644	12,768,637
Deferred Inflows of Resources:			
Pension related deferred inflows	442,788	--	442,788
Total Deferred Inflows of Resources	442,788	--	442,788
Net Position:			
Net investment in capital assets	1,775,141	13,020	1,788,161
Restricted for:			
Capital outlay	1,127,231	--	1,127,231
Special education	484,837	--	484,837
Debt Service	501,588	--	501,588
SDRS pension purposes	306,543	--	306,543
Unrestricted	1,133,123	26,530	1,159,653
Total Net Position	\$ 5,328,463	\$ 39,550	\$ 5,368,013

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, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total	
		Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-Type Activities		
Governmental Activities:							
Instruction	\$ 2,347,725	\$ --	\$ 223,725	\$ (2,124,000)	\$ --	\$ (2,124,000)	
Support services	1,234,832	43,090	23,183	(1,168,559)	--	(1,168,559)	
Interest on long-term debt	250,971	--	--	(250,971)	--	(250,971)	
Cocurricular activities	173,368	15,462	--	(157,906)	--	(157,906)	
Total Governmental Activities	4,006,896	58,552	246,908	(3,701,436)	--	(3,701,436)	
Business-Type Activities:							
Food service	178,482	71,996	95,494	--	(10,992)	(10,992)	
Driver's education	5,635	3,750	2,723	--	838	838	
Total Business Type Activities	184,117	75,746	98,217	--	(10,154)	(10,154)	
Total Primary Government	\$ 4,191,013	\$ 134,298	\$ 345,125	(3,701,436)	(10,154)	(3,711,590)	
General Revenues:							
Taxes:							
Property taxes				2,495,760	--	2,495,760	
Utility taxes				387,375	--	387,375	
Revenue from State Sources:							
State aid				1,220,919	--	1,220,919	
Unrestricted investment earnings				152,161	243	152,404	
Contributions and donations				7,015	--	7,015	
Other general revenues				22,945	--	22,945	
Total General Revenues				4,286,175	243	4,286,418	
				Change in Net Position	584,739	(9,911)	574,828
				Net Position - Beginning of Year	4,743,724	49,461	4,793,185
				Net Position - End of Year	\$ 5,328,463	\$ 39,550	\$ 5,368,013

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, 2023

	General	Capital Outlay	Special Education	Bond Redemption	Capital Projects	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 578,156	\$ 932,491	\$ 363,832	\$ 289,401	\$ 8,590,422	\$ 10,754,302
Taxes receivable - current	413,351	282,336	157,200	212,187	--	1,065,074
Taxes receivable - delinquent	5,011	3,649	1,905	--	--	10,565
Due from other governments	407,776	30,415	--	--	--	438,191
Total Assets	\$ 1,404,294	\$ 1,248,891	\$ 522,937	\$ 501,588	\$ 8,590,422	\$ 12,268,132
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ 382	\$ 121,660	\$ --	\$ --	18,375	\$ 140,417
Contracts payable	210,400	--	28,983	--	--	239,383
Payroll deductions and withholding and employer matching payable	56,088	--	9,117	--	--	65,205
Total Liabilities	266,870	121,660	38,100	--	18,375	445,005
Deferred Inflows of Resources:						
Unavailable Revenue	418,362	285,985	159,105	212,187	--	1,075,639
Total Deferred Inflows of Resources	418,362	285,985	159,105	212,187	--	1,075,639
Fund Balances:						
Restricted:						
For capital outlay	--	841,246	--	--	8,572,047	9,413,293
For special education	--	--	325,732	--	--	325,732
For debt service	--	--	--	289,401	--	289,401
Assigned	2,400	--	--	--	--	2,400
Unassigned	716,662	--	--	--	--	716,662
Total Fund Balances	719,062	841,246	325,732	289,401	8,572,047	10,747,488
Total Liabilities and Fund Balances	\$ 1,404,294	\$ 1,248,891	\$ 522,937	\$ 501,588	\$ 8,590,422	\$ 12,268,132

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, 2023

Total Fund Balances - Governmental Funds \$ 10,747,488

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. 5,501,781

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

Intangible Lease Liabilities	(163,687)	
GO Bonds	(9,800,000)	
Capital Outlay Certificates	(2,335,000)	
Accrued Leave	<u>(4,301)</u>	(12,302,988)

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

Delinquent Property Taxes Receivable 1,075,639

Proportionate Share of Net Pension Asset 7,466

Pension related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (442,788)

Pension related deferred outflows are components of non current assets and therefore are not reported in the funds. 741,865

Net Position - Governmental Activities \$ 5,328,463

Willow Lake School District No. 12-3

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

June 30, 2023

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues						
Revenue from Local Sources:						
Taxes:						
Ad valorem taxes	\$ 914,845	\$ 661,977	\$ 355,666	\$ 288,874	\$ --	\$ 2,221,362
Prior years' ad valorem taxes	113	54	28	--	--	195
Tax deed revenue	385	--	--	--	--	385
Utility taxes	387,375	--	--	--	--	387,375
Penalties and interest on taxes	698	556	292	128	--	1,674
Tuition and Fees:						
Earnings on Investments and Deposits	3,183	5,050	2,576	399	140,953	152,161
Cocurricular Activities:						
Other	8,836	--	1,344	--	--	10,180
Other student activity income	5,282	--	--	--	--	5,282
Other Revenue from Local Sources:						
Rentals	2,025	--	--	--	--	2,025
Contributions and donations	1,684	5,331	--	--	--	7,015
Charges for services	2,570	--	--	--	--	2,570
Other	5,595	7,245	--	--	--	12,840
Revenue from Intermediate Sources:						
County Sources:						
County apportionment	14,620	--	--	--	--	14,620
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted grants-in-aid	1,217,634	--	--	--	--	1,217,634
Restricted grants-in-aid	2,047	--	--	--	--	2,047
Other state revenue	1,023	--	215	--	--	1,238
Revenue from Federal Sources:						
Grants-in-Aid:						
Restricted grants-in-aid received						
Directly from federal government	4,255	18,928	--	--	--	23,183
Restricted grants-in-aid received from						
Federal government through the state	146,353	46,957	--	--	--	193,310
Other	--	30,415	--	--	--	30,415
Total Revenues	<u>\$ 2,718,523</u>	<u>\$ 776,513</u>	<u>\$ 360,121</u>	<u>\$ 289,401</u>	<u>\$ 140,953</u>	<u>\$ 4,285,511</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, 2023 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<u>Expenditures</u>						
Instructional Services:						
Regular Programs:						
Elementary	\$ 918,361	\$ 88,467	\$ --	\$ --	\$ --	\$ 1,006,828
Middle/junior high	183,616	--	--	--	--	183,616
High school	508,951	101,109	--	--	--	610,060
Preschool	25,483	--	--	--	--	25,483
Special Programs:						
Programs for special education	--	--	267,754	--	--	267,754
Educationally deprived	103,906	1,666	--	--	--	105,572
Support Services:						
Students:						
Guidance	29,675	--	--	--	--	29,675
Psychological	--	--	4,117	--	--	4,117
Health	--	--	48,502	--	--	48,502
Speech pathology	--	--	6,701	--	--	6,701
Student therapy services	--	--	4,781	--	--	4,781
Instructional Staff:						
Improvement of instruction	23,060	--	--	--	--	23,060
Educational media	150,638	--	--	--	--	150,638
General Administration:						
Board of education	76,571	--	396	--	--	76,967
Executive administration	176,142	--	--	--	--	176,142
School Administration:						
Office of the principal	87,160	--	--	--	--	87,160
Other	582	--	--	--	--	582
Business:						
Fiscal services	93,702	6,253	--	--	--	99,955
Facilities acquisition and construction	--	11,027	--	--	--	11,027
Operation and maintenance of plant	243,154	1,505	--	--	--	244,659
Student transportation	188,437	767	--	--	--	189,204
Food services	7,476	--	--	--	--	7,476
Central:						
Information	912	4,490	--	--	--	5,402
Staff	562	--	--	--	--	562

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, 2023 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Nonprogrammed Charges:						
Early retirement payments	9,932	--	--	--	--	9,932
Debt Services:	--	266,067	--	--	205,576	471,643
Cocurricular Activities:						
Male activities	48,092	5,460	--	--	--	53,552
Female activities	45,038	5,311	--	--	--	50,349
Transportation	23,398	--	--	--	--	23,398
Combined activities	8,967	--	--	--	--	8,967
Capital Outlay	--	436,090	--	--	1,163,330	1,599,420
Total Expenditures	<u>2,953,815</u>	<u>928,212</u>	<u>332,251</u>	<u>--</u>	<u>1,368,906</u>	<u>5,583,184</u>
Excess of Revenue Over (Under) Expenditures	(235,292)	(151,699)	27,870	289,401	(1,227,953)	(1,297,673)
Other Financing Sources (Uses):						
Transfer in	150,000	--	--	--	--	150,000
Transfer out	--	(150,000)	--	--	--	(150,000)
General Long-Term Debt Issued	--	129,784	--	--	9,800,000	9,929,784
Sale of Surplus Property	--	1,199	--	--	--	1,199
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>(19,017)</u>	<u>--</u>	<u>--</u>	<u>9,800,000</u>	<u>9,930,983</u>
Net Change in Fund Balances	(85,292)	(170,716)	27,870	289,401	8,572,047	8,633,310
Fund Balance, Beginning of Year	<u>804,354</u>	<u>1,011,962</u>	<u>297,862</u>	<u>--</u>	<u>--</u>	<u>2,114,178</u>
Fund Balance, End of Year	<u>\$ 719,062</u>	<u>\$ 841,246</u>	<u>\$ 325,732</u>	<u>\$ 289,401</u>	<u>\$ 8,572,047</u>	<u>\$ 10,747,488</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, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 8,633,310

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. 1,599,420

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. (265,834)

In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. (10,309)

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. 220,672

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." 272,144

The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements. (9,929,784)

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. 10,416

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. 54,704

Change in net position of governmental activities \$ 584,739

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, 2023

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 33,475	\$ 11,037	\$ 44,512
Accounts receivable, net	470	--	470
Inventory - supplies	697	--	697
Inventory - stores for resale	1,495	--	1,495
Total Current Assets	<u>36,137</u>	<u>11,037</u>	<u>47,174</u>
Noncurrent Assets:			
Machinery and equipment - local funds	51,401	--	51,401
Less accumulated depreciation	<u>(38,381)</u>	<u>--</u>	<u>(38,381)</u>
Total Noncurrent Assets	<u>13,020</u>	<u>--</u>	<u>13,020</u>
Total Assets	<u><u>\$ 49,157</u></u>	<u><u>\$ 11,037</u></u>	<u><u>\$ 60,194</u></u>
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 899	\$ --	\$ 899
Payroll deductions and withholdings and employer matching payable	1,106	--	1,106
Unearned revenue	<u>18,639</u>	<u>--</u>	<u>18,639</u>
Total Current Liabilities	<u>20,644</u>	<u>--</u>	<u>20,644</u>
Net Position:			
Net investment in capital assets	13,020	--	13,020
Unrestricted net position	<u>15,493</u>	<u>11,037</u>	<u>26,530</u>
Total Net Position	<u><u>\$ 28,513</u></u>	<u><u>\$ 11,037</u></u>	<u><u>\$ 39,550</u></u>

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

Willow Lake School District No. 12-3
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
June 30, 2023

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Operating Revenue:			
Food Sales:			
Student	\$ 62,196	\$ --	\$ 62,196
Adult	9,800	--	9,800
Other charges for goods and services	--	3,750	3,750
Total Operating Revenue	<u>71,996</u>	<u>3,750</u>	<u>75,746</u>
Operating Expenses:			
Food Service:			
Salaries	51,542	3,000	54,542
Employee benefits	25,936	230	26,166
Purchased services	2,363	--	2,363
Supplies	13,733	2,405	16,138
Cost of sales - purchased	71,221	--	71,221
Cost of sales - donated	9,561	--	9,561
Depreciation	4,126	--	4,126
Total Operating Expenses	<u>178,482</u>	<u>5,635</u>	<u>184,117</u>
Operating (Loss)	(106,486)	(1,885)	(108,371)
Nonoperating Revenues/Expenses:			
Investment Earnings	159	84	243
Other local revenue	--	2,723	2,723
State grants	316	--	316
Federal grants	85,617	--	85,617
Donated food	9,561	--	9,561
Total Nonoperating Revenue/ (Expenses)	<u>95,653</u>	<u>2,807</u>	<u>98,460</u>
Change in Net Position	(10,833)	922	(9,911)
Net Position - Beginning of Year	<u>39,346</u>	<u>10,115</u>	<u>49,461</u>
Net Position - End of Year	<u>\$ 28,513</u>	<u>\$ 11,037</u>	<u>\$ 39,550</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, 2023

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 78,403	\$ 3,750	\$ 82,153
Cash payments to suppliers	(86,162)	(2,405)	(88,567)
Cash payments to employees	(77,488)	(3,230)	(80,718)
Net Cash (Used) by Operating Activities	<u>(85,247)</u>	<u>(1,885)</u>	<u>(87,132)</u>
Cash Flows from Noncapital Financing Activities:			
Other local revenue	--	2,723	2,723
Cash reimbursements - state	316	--	316
Cash reimbursements - federal	85,617	--	85,617
Net Cash Provided by Noncapital Financing Activities	<u>85,933</u>	<u>2,723</u>	<u>88,656</u>
Cash Flows from Capital and related Financing Activities:			
Purchase of capital assets	(5,755)	--	(5,755)
Net Cash Provided by Noncapital Financing Activities	<u>(5,755)</u>	<u>--</u>	<u>(5,755)</u>
Cash Flows from Investing Activities:			
Investment Earnings	159	84	243
Net Cash Provided by Investing Activities	<u>159</u>	<u>84</u>	<u>243</u>
Net Change in Cash and Cash Equivalents	(4,910)	922	(3,988)
Cash and Cash Equivalents, Beginning of Year	38,385	10,115	48,500
Cash and Cash Equivalents, End of Year	<u>\$ 33,475</u>	<u>\$ 11,037</u>	<u>\$ 44,512</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (106,486)	\$ (1,885)	\$ (108,371)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	4,126	--	4,126
Value of commodities used	9,561	--	9,561
Change in Assets and Liabilities:			
Accounts receivable	(394)	--	(394)
Inventory	256	--	256
Deferred revenue	6,801	--	6,801
Accrued payroll expenses	(10)	--	(10)
Accounts payable	899	--	899
Net cash (used) by operating activities:	<u>\$ (85,247)</u>	<u>\$ (1,885)</u>	<u>\$ (87,132)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	<u>\$ 9,561</u>	<u>\$ --</u>	<u>\$ 9,561</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, 2023

	Private-Purpose Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ --	\$ 43,104
Investments-certificates of deposit	32,275	--
Total Assets	\$ 32,275	\$ 43,104
 Net Position:		
Scholarships	\$ 32,275	\$ --
Individuals, organizations, and other governments	--	43,104
Total Net Position	\$ 32,275	\$ 43,104

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, 2023

	Private-Purpose Trust Funds	Custodial Funds
Additions:		
Interest	\$ 40	\$ --
Collections for student activities	--	101,045
	40	101,045
Total Additions	40	101,045
Deductions:		
Payments for student activities	--	97,969
	--	97,969
Total Deductions	--	97,969
Change in Net Position	40	3,076
Net Position - Beginning	32,235	40,028
Net Position - Ending	\$ 32,275	\$ 43,104

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, 2023

1. Summary of Significant Accounting Policies:

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

a. 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, 2023

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

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

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

Governmental Funds:

General Fund – A fund established by South Dakota Codified Laws (SDCL) 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, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

The Bond Redemption Fund – A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. There is only one debt service fund maintained by the School District. This is a major fund.

Capital Projects Funds – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of a major capital facilities (other than those financed by proprietary funds and trust funds).

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

Proprietary Funds:

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

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

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

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

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Fiduciary Funds:

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

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

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

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

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

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

d. Deposits and Investments:

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

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

e. Capital Assets:

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

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

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Government-Wide Financial Statements:

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

The total June 30, 2023 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, 2023 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:

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
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.

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

f. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of general obligation bonds, capital outlay certificates, compensated absences, 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 and a bus contract. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$45,000 or more.

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

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

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

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

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

h. Subscription Based Information Technology Arrangements:

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

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

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

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

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

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

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

i. Program Revenues:

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

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

j. Deferred Inflows and Deferred Outflows of Resources:

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

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

k. Proprietary Funds Revenue and Expense Classifications:

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

l. Cash and Cash Equivalents:

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

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

m. Equity Classifications:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

n. Application of Net Position:

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

o. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

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

The School District's has an assigned fund balance for unemployment in the General Fund. There was a \$2,400 balance in assigned fund balance for the year ended June 30, 2023.

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

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

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

p. Pensions:

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

2. Implementation of New Accounting Standard:

During fiscal year 2023, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription Based Information Technology Arrangements. The implementation of this standard had no effect on beginning net position.

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2023

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.

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

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2023

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, 2023 in the governmental funds.

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.

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2023

7. Changes in Capital Assets:

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

	<u>06/30/2022</u>			<u>06/30/2023</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 5,800	\$ 11,000	\$ --	\$ 16,800
Construction in progress	--	1,163,330	--	1,163,330
Total capital assets not being depreciated/amortized	<u>5,800</u>	<u>1,174,330</u>	<u>--</u>	<u>1,180,130</u>
Capital assets being depreciated/amortized:				
Buildings	5,001,963	197,000	--	5,198,963
Improvements	210,483	50,926	7,300	254,109
Machinery & Equipment	996,938	176,951	63,494	1,110,395
Intangible Assets	92,416	--	--	92,416
Library Books	105,733	213	--	105,946
Total capital assets being depreciated/amortized	<u>6,407,533</u>	<u>425,090</u>	<u>70,794</u>	<u>6,761,829</u>
Less accumulated depreciation/amortization for:				
Buildings	1,318,218	139,157	--	1,457,375
Improvements	82,064	17,543	--	99,607
Machinery & Equipment	724,162	85,848	60,485	749,525
Intangible Assets	9,242	18,483	--	27,725
Library Books	101,143	4,803	--	105,946
Total accumulated depreciation/amortization	<u>2,234,829</u>	<u>265,834</u>	<u>60,485</u>	<u>2,440,178</u>
Total capital assets being depreciated/amortized, net	<u>4,172,704</u>	<u>159,256</u>	<u>10,309</u>	<u>4,321,651</u>
Net Capital Assets	<u>\$ 4,178,504</u>	<u>\$ 1,333,586</u>	<u>\$ 10,309</u>	<u>\$ 5,501,781</u>

Depreciation/amortization expense was charged to functions as follows:

Instruction	\$ 148,411
Support services	61,838
Amortization	18,483
Co-curricular activities	37,102
Total Depreciation/Amortization Expense	<u>\$ 265,834</u>

Willow Lake School District No. 12-3
Notes to the Financial Statements
June 30, 2023

7. Changes in Capital Assets: (Continued)

	<u>06/30/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/2023</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Machinery & Equipment	\$ 47,706	\$ 5,755	\$ 2,060	\$ 51,401
Less accumulated depreciation for:				
Machinery & Equipment	36,315	4,126	2,060	38,381
Total capital assets, net	\$ 11,391	\$ 1,629	\$ --	\$ 13,020

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Food Service	\$ 4,126

Construction Work in Progress at June 30, 2023 is composed of the following:

Project Name	Project Authorization	Through 6/30/2023	Committed
Building project	\$ 11,981,900	\$ 1,163,330	\$ 10,818,570

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2023

8. Long-Term Liabilities:

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

	<u>6/30/2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2023</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ --	\$ 9,800,000	\$ --	\$ 9,800,000	\$ --
Capital Outlay Certificates	2,500,000	--	165,000	2,335,000	170,000
Other Liabilities:					
Compensated Absences	4,785	--	484	4,301	2,150
Early Retirement Payable	9,932	--	9,932	--	--
Direct Borrowing Note	5,401	--	5,401	--	--
Lease Liabilities	84,174	129,784	50,271	163,687	49,655
Total Long-Term Liabilities	<u>\$ 2,604,292</u>	<u>\$ 9,929,784</u>	<u>\$ 231,088</u>	<u>\$ 12,302,988</u>	<u>\$ 221,805</u>

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

Liabilities payable at June 30, 2023 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.	\$ 2,335,000
Willow Lake School District No 12-3 Intangible Lease	During April, 2023, the School District entered into an agreement to receive MacBooks in the amount of \$129,784. There is an interest rate of 1.70% assessed on this notes. Final payment is May 2026. The Capital Outlay Fund makes payment on this debt.	\$ 96,626
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.	\$ 67,061

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2023

8. Long-Term Liabilities: (Continued)

Liabilities payable at June 30, 2023 are comprised of the following: (Continued)

Willow Lake School District No 12-3 General Obligation Bond	During August 2022, the School District entered into an agreement to receive \$9,800,000 to help the school meet debt obligations as they become due. There is an interest rate of 3.00% assessed on this notes. Final payment is June 2053. The Bond Redemption Fund makes payment on this debt.	\$ 9,800,000
---	---	--------------

Compensated Absences –

Payable from the fund to which payroll expenditures are charged	\$ 4,301
---	----------

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, 2023 are as follows:

Year Ending June 30,	Intangible Leases		Capital Outlay Certificates		General Obligation Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2024	\$ 49,655	\$ 4,662	\$ 170,000	\$ 51,250	\$ --	\$ 365,661	\$ 219,655
2025	51,114	3,207	175,000	46,075	190,000	363,286	416,114	412,568
2026	52,629	1,139	180,000	40,750	195,000	358,474	427,629	400,363
2027	10,289	200	185,000	35,275	215,000	353,338	410,289	388,813
2028	--	--	190,000	30,600	215,000	347,944	405,000	378,544
2029-2033	--	--	1,005,000	89,750	1,195,000	1,638,561	2,200,000	1,728,311
2034-2038	--	--	430,000	8,600	1,415,000	1,413,951	1,845,000	1,422,551
2039-2043	--	--	--	--	1,715,000	1,111,787	1,715,000	1,111,787
2044-2048	--	--	--	--	2,100,000	732,653	2,100,000	732,653
2049-2053	--	--	--	--	2,560,000	265,525	2,560,000	265,525
Totals	<u>\$ 163,687</u>	<u>\$ 9,208</u>	<u>\$ 2,335,000</u>	<u>\$ 302,300</u>	<u>\$ 9,800,000</u>	<u>\$ 6,951,180</u>	<u>\$ 12,298,687</u>	<u>\$ 7,262,688</u>

9. Restricted Net Position:

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

Purpose	Restricted By	Amount
Major Purposes:		
Capital Outlay	Law	\$ 1,127,231
Special Education	Law	484,837
Debt Service	Debt Covenant	501,588
SDRS Pension Purposes	Law	306,543
Total		<u>\$ 2,420,199</u>

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2023

10. Interfund Transfers:

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

Transfer from the Capital Outlay Fund to the General Fund Under the allowable percentage permitted by SDCL 13-16-6 to supplement the General Fund Balance with unused Capital Outlay funds.	\$ 150,000
---	------------

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

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

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2023

11. Pension Plan: (Continued)

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

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee’s contribution. The School District’s share of contributions to the SDRS for the years ended June 30, 2023, 2022 and 2021, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 124,795
2022	113,180
2021	107,976

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2023

11. Pension Plan: (Continued)

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

At June 30, 2022, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate 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, 2022 and reported by the School District as of June 30, 2023 are as follows:

Proportionate share of pension benefits	\$ 11,151,705
Less proportionate share of net pension restricted for pension benefits	<u>11,159,171</u>
Proportionate share of net pension (asset)	<u><u>\$ (7,466)</u></u>

At June 30, 2023, the School District reported an asset of (\$7,466) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2022 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the School District's proportion was 0.07899700%, which is a decrease of -0.0004859% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized reduction of pension expense of (\$54,704). At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 142,116	\$ 485
Changes in assumption	474,498	415,834
Net difference between projected and actual earnings on pension plan investments	--	17,891
Changes in proportion and difference between district contributions and proportionate share of contributions	456	8,578
District contributions subsequent to the measurement date	<u>124,795</u>	<u>--</u>
Total	<u><u>\$ 741,865</u></u>	<u><u>\$ 442,788</u></u>

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2023

11. Pension Plan: (Continued)

\$124,795 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended	
June 30,	
2024	\$ 42,751
2025	101,677
2026	(118,109)
2027	147,963
Total	<u>\$ 174,282</u>

Actuarial Assumptions:

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

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

Mortality Rates:

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

Active and Terminated Vested Members:

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

Retired Members:

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

Beneficiaries:

- PubG-2010 contingent survivor mortality table.

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2023

11. Pension Plan: (Continued)

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table.

Others: PubG-2010 disabled member mortality table.

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	58.0%	3.7%
Fixed income	30.0%	1.1%
Real estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	<u>100.0%</u>	<u>2.7%</u>

Discount Rate:

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

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2023

11. Pension Plan: (Continued)

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of net pension (asset)	<u>\$ 1,550,186</u>	<u>\$ (7,466)</u>	<u>\$ (1,280,479)</u>

Pension Plan Fiduciary Net Position:

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

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%	Florence School District No. 14-1	4%
Britton-Hecla School District No. 45-4	6%	Hamlin School District No. 28-3	9%
Castlewood School District No. 28-1	4%	Henry School District No. 14-2	2%
Clark School District No. 12-2	6%	Iroquois School District No. 2-3	3%
DeSmet School District No. 38-2	4%	Lake Preston School District No. 38-3	2%
Deubrook School District No. 5-6	5%	Oldham-Ramona School District No. 39-5	2%
Deuel School District No. 19-4	7%	Rosholt School District No. 54-4	3%
Elkton School District No. 5-3	5%	Rutland School District No. 39-4	2%
Enemy Swim Day School	2%	Sioux Valley School District No. 5-5	8%
Estelline School District No. 28-2	3%	Summit School District No. 54-6	2%
Waubay School District No. 18-3	2%	Willow Lake School District No. 12-3	4%
Waverly School District No. 14-5	3%	Wilmot School District No. 54-7	3%
Webster Area School District No. 18-5	6%		

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2023

12. Joint Ventures: (Continued)

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

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

	<u>June 30, 2023</u>
Total Assets and Deferred Outflows	\$ 3,512,631
Total Liabilities and Deferred Inflows	\$ 1,205,091
Total Net Position	\$ 2,307,540

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, 2023, the School District managed its risks as follows:

Employee Health Insurance:

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

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

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

Liability Insurance:

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

Willow Lake School District No. 12-3

Notes to the Financial Statements

June 30, 2023

13. Risk Management: (Continued)

Worker's Compensation:

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

Unemployment Benefits:

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

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

During the year ended June 30, 2023, no claims were filed. At June 30, 2023, 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 2023 no employees participated in the program.

15. Significant Contingencies – Litigation:

At June 30, 2023, 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.

Required Supplementary Information

Willow Lake School District No. 12-3

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 875,000	\$ 904,897	\$ 914,845	\$ 9,948
Prior years' ad valorem taxes	6,500	6,500	113	(6,387)
Tax deed revenue	--	--	385	385
Utility taxes	390,000	390,000	387,375	(2,625)
Penalties and interest on taxes	1,000	1,000	698	(302)
Earnings on Investments and Deposits	500	500	3,183	2,683
Cocurricular Activities:				
Admissions	10,300	10,300	8,836	(1,464)
Other student activity income	5,250	5,250	5,282	32
Other Revenue from Local Sources:				
Rentals	500	500	2,025	1,525
Contributions and donations	6,500	6,500	1,684	(4,816)
Refund of prior years expenditures	2,000	2,000	--	(2,000)
Charges for services	5,200	5,200	2,570	(2,630)
Other	2,500	2,500	5,595	3,095
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	11,000	11,000	14,620	3,620
Revenue in lieu of taxes	2,500	2,500	--	(2,500)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	1,234,450	1,234,450	1,217,634	(16,816)
Restricted grants-in-aid	2,100	2,100	2,047	(53)
Other state revenues	--	765	1,023	258
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received directly from federal government	4,320	4,320	4,255	(65)
Restricted grants-in-aid received from federal government through the state	127,090	148,360	146,353	(2,007)
Total Revenues	\$ 2,686,710	\$ 2,738,642	\$ 2,718,523	\$ (20,119)

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, 2023 (Continued)

Expenditures	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Instructional Services:				
Regular Programs:				
Elementary	\$ 960,892	\$ 960,892	\$ 918,361	\$ 42,531
Middle/junior high	191,526	191,526	183,616	7,910
High school	539,524	539,524	508,951	30,573
Preschool	26,180	26,180	25,483	697
Special Programs:				
Educationally deprived	87,497	105,247	103,906	1,341
Support Services:				
Students:				
Guidance	30,175	30,175	29,675	500
Instructional Staff:				
Improvement of instruction	20,098	24,383	23,060	1,323
Educational media	150,680	151,865	150,638	1,227
General Administration:				
Board of education	78,075	78,075	76,571	1,504
Executive administration	180,168	180,168	176,142	4,026
School Administration:				
Office of the principal	93,103	93,103	87,160	5,943
Other	680	680	582	98
Business:				
Fiscal services	98,648	98,648	93,702	4,946
Operation and maintenance of plant	259,050	259,050	243,154	15,896
Student transportation	168,251	189,251	188,437	814
Food service	5,720	7,520	7,476	44
Central:				
Information	--	912	912	--
Staff	610	610	562	48
Nonprogrammed Charges:				
Unemployment	5,000	5,000	--	5,000
Early Retirement	9,932	9,932	9,932	--
Cocurricular Activities:				
Male activities	51,505	51,505	48,092	3,413
Female activities	48,430	48,430	45,038	3,392
Transportation	23,740	23,740	23,398	342
Combined activities	9,019	9,019	8,967	52
Total Expenditures	3,038,503	3,085,435	2,953,815	131,620
Excess of Revenues Over Expenditures	(351,793)	(346,793)	(235,292)	111,501
Other Financing Sources:				
Operating transfers in	150,000	150,000	150,000	--
Operating transfers out	(2,500)	(2,500)	--	2,500
Total Other Financing Sources:	147,500	147,500	150,000	2,500
Net Change in Fund Balances	(204,293)	(199,293)	(85,292)	114,001
Fund Balance, Beginning of Year	804,354	804,354	804,354	--
Fund Balance, End of Year	\$ 600,061	\$ 605,061	\$ 719,062	\$ 114,001

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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 625,000	\$ 650,760	\$ 661,977	\$ 11,217
Prior years' ad valorem taxes	750	750	54	(696)
Penalties and interest on taxes	750	750	556	(194)
Earnings on Investments & Deposits	2,500	2,500	5,050	2,550
Other Revenue from Local Sources:				
Contributions and donations	--	--	5,331	5,331
Other	--	--	7,245	7,245
Revenue from Federal Sources:				
from the federal government	--	18,950	18,928	(22)
Restricted grants-in-aid received from federal				
Government through the state	331,710	336,707	46,957	(289,750)
Other	--	30,415	30,415	--
Total Revenues	<u>960,710</u>	<u>1,040,832</u>	<u>776,513</u>	<u>(264,319)</u>
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	28,650	93,542	88,467	5,075
High school	62,760	129,652	127,401	2,251
Special Programs:				
Programs for special education	300	300	--	300
Support Services:				
Students:				
Audiology	--	1,675	1,666	9
Instructional Staff:				
Educational Media	1,000	1,000	--	1,000
General Administration:				
Business:				
Fiscal services	12,000	12,000	8,752	3,248
Facilities acquisition and construction	580,500	580,500	278,953	301,547
Operation and maintenance of plant	10,000	10,000	1,505	8,495
Student transportation	98,000	141,000	140,140	860
Food Services	2,500	2,500	--	2,500
Central:				
Information	5,000	5,000	4,490	510
Debt Services:	232,950	266,397	266,067	330
Cocurricular Activities:				
Male activities	7,500	7,500	5,460	2,040
Female activities	7,300	7,300	5,311	1,989
Total Expenditures	<u>1,048,460</u>	<u>1,258,366</u>	<u>928,212</u>	<u>330,154</u>
Excess of Revenue Over (Under)				
Expenditures	<u>(87,750)</u>	<u>(217,534)</u>	<u>(151,699)</u>	<u>65,835</u>
Other Financing Sources (Uses):				
Transfers out	(150,000)	(150,000)	(150,000)	--
Proceeds of general long-term liabilities	--	129,784	129,784	--
Compensation for Loss of General Cap Assets	--	--	1,199	1,199
Total Other Financing Sources (Uses)	<u>(150,000)</u>	<u>(20,216)</u>	<u>(19,017)</u>	<u>1,199</u>
Net Change in Fund Balances	(237,750)	(237,750)	(170,716)	67,034
Fund Balance, Beginning of Year	<u>1,011,962</u>	<u>1,011,962</u>	<u>1,011,962</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 774,212</u>	<u>\$ 774,212</u>	<u>\$ 841,246</u>	<u>\$ 67,034</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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 330,379	\$ 330,379	\$ 355,666	\$ 25,287
Prior years' ad valorem taxes	1,100	1,100	28	(1,072)
Penalties and interest on taxes	300	300	292	(8)
Earnings on Investments & Deposits	200	200	2,576	2,376
Other Revenue from Local Sources:				
Charges for services	1,875	1,875	1,344	(531)
Other state revenue	--	225	215	(10)
Total Revenues	<u>333,854</u>	<u>334,079</u>	<u>360,121</u>	<u>26,042</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for special education	288,105	288,330	267,754	20,576
Support Services:				
Students:				
Health	50,147	50,147	48,502	1,645
Psychological	4,200	4,200	4,117	83
Speech pathology	6,720	6,720	6,701	19
Student therapy services	4,900	4,900	4,781	119
Instructional staff:				
Improvement of instruction	60	60	--	60
General Administration:				
Board of education	1,295	1,295	396	899
Special Education:				
Administrative costs	3,670	3,670	--	3,670
Transportation costs	2,725	2,725	--	2,725
Other special education costs	300	300	--	300
Total Expenditures	<u>362,122</u>	<u>362,347</u>	<u>332,251</u>	<u>30,096</u>
Net Change in Fund Balance	(28,268)	(28,268)	27,870	56,138
Fund Balance, Beginning of Year	<u>297,862</u>	<u>297,862</u>	<u>297,862</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 269,594</u>	<u>\$ 269,594</u>	<u>\$ 325,732</u>	<u>\$ 56,138</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, 2023

1. Budgets and Budgetary Accounting:

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

- a. Prior to the first regular board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
- c. The proposed budget is published for public review no later than July 15 each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except 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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0789970%	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)	\$ (7,466)	\$ (607,310)	\$ (3,452)	\$ (6,994)	\$ (1,532)	\$ (5,894)	\$ 217,508	\$ (260,119)	\$ (412,203)
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
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.40%	33.75%	0.20%	0.52%	0.11%	0.45%	17.77%	23.23%	41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

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

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

Willow Lake School District No. 12-3

Schedule of the School District Contributions South Dakota Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually-required contribution	\$ 124,795	\$ 113,180	\$ 107,976	\$ 104,665	\$ 81,170
Contributions in relation to the contractually-required contribution	<u>124,795</u>	<u>113,180</u>	<u>107,976</u>	<u>104,665</u>	<u>81,170</u>
District's covered-employee payroll	\$ 2,086,516	\$ 1,886,330	\$ 1,799,593	\$ 1,744,407	\$ 1,352,839
Contributions as a percentage of employee-covered payroll	5.98%	6.00%	6.00%	6.00%	6.00%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 81,941	\$ 79,205	\$ 73,441	\$ 67,183	\$ 60,031
Contributions in relation to the contractually-required contribution	<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>
District's covered-employee payroll	\$ 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%

Willow Lake School District No. 12-3

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

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

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

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, 2023 (Continued)

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

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

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

Actuarial Method Changes

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