

**Wolsey-Wessington School District No. 2-6**

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

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

**Wolsey-Wessington School District No. 2-6**

School District Officials

June 30, 2022

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**Board Members:**

Tara Timm ----- Board President

Jamie Flemming -----Vice President

Ashley Dorris ----- Member

Ted Haeder ----- Member

Jeff Luce ----- Member

Kevin Clarke ----- Member

Brooke LeGrand ----- Member

Jennifer Boomsma-Kelsey -----Superintendent

Amy Langbehn -----Business Manager

# Wolsey-Wessington School District No. 2-6

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

School Board  
Wolsey-Wessington School District No. 2-6  
Beadle 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 Wolsey-Wessington School District No. 2-6, South Dakota (School District), as of June 30, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated May 8, 2023.

**Report on Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District’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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

## 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, and 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*.

## School District's Response to Findings

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

## Purpose of This Report

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



Huron, South Dakota  
May 8, 2023

**Wolsey-Wessington School District No. 2-6**  
Schedule of Prior Audit Findings  
For the Year Ended June 30, 2022

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**Finding Number 2021-001**

Significant Deficiency

Internal control over Lack of Proper Segregation of Duties for Revenues, Expenditures, and Payroll

Repeat Finding from Prior Years: Yes

Finding Summary: We know that the School District has a limited number of office personnel and, accordingly, does not have adequate accounting controls in the revenue, expenditure, and payroll functions because of a lack of segregation of duties.

Status: Ongoing. Due to staff size, it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct matters that may result.

**Finding Number 2021-002**

Significant Deficiency

Internal Control over Year-end Closing Procedures Including Preparation of the Financial Statements

Repeat Finding From Prior Years: Yes

Finding Summary: ELO Prof. LLC prepared our draft financial statements and notes to the financial statements. These included significant journal entries, including restatements of beginning balances.

Status: Ongoing. Due to cost considerations, we will continue to have ELO Prof. LLC prepare our draft financial statements and notes to the financial statements. We have designated a member of management to review the drafted financial statements and notes to the financial statements.

**Wolsey-Wessington School District No. 2-6**  
Schedule of Current Audit Findings  
For the Year Ended June 30, 2022

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**Finding 2022-001**

Significant Deficiency

Internal Control Related for Lack of Proper Segregation of Duties for Revenues, Expenditures, and Payroll

Criteria: The internal control system of a School can help assist in increased reliability of reported financial data, compliance with laws and regulations, and decreased potential for the loss of public records.

Condition: The School District has a limited number of office personnel and, accordingly, does not have adequate accounting controls in the revenue, expenditure, and payroll functions because of a lack of segregation of duties

Cause: The limited size of the School District's staff and resources cause the inability to maintain proper segregation of duties.

Effect: As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

Auditor's Recommendation: We recommend a high level of awareness be maintained by management to assist in preventing, detecting, or correcting matters that may arise due to this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct matters that may result.

Management's Response: The District agrees with the finding. Due to staff size, it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct matters that may result.

**Wolsey-Wessington School District No. 2-6**  
Schedule of Current Audit Findings  
For the Year Ended June 30, 2022 (Continued)

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**Finding 2022-002**

Significant Deficiency

Internal Control Over Year-end Closing Process Including Preparation of the Financial Statements

Criteria: The District's internal control structure should provide for the preparation of financial statements and footnotes in accordance with generally accepted accounting principles.

Condition: The District does not have adequate staff trained to prepare the financial statements and footnotes.

Cause: The limited size of the School District's staff and resources cause the inability to prepare the financial statements, footnotes, and the schedule of federal awards.

Effect: This condition may affect the District's ability to report financial data in accordance with generally accepted accounting principles.

Auditor's Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management's Response: The District agrees with the finding. We requested that our auditors, ELO Prof. LLC, prepare the financial statements and notes to the financials as part of their annual audit. We have designated a member of management to review the drafted financial statements and accompanying notes, and we have reviewed and agree with material adjustments proposed during the audit.





## Independent Auditor's Report

School Board  
Wolsey-Wessington School District No. 2-6  
Beadle 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 Wolsey-Wessington School District No. 2-6, South Dakota (School District), as of June 30, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wolsey-Wessington School District No. 2-6 as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

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

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, the Schedule of the School District Contributions, and the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2023 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CIO Prof LRC".

Huron, South Dakota  
May 8, 2023

**Wolsey-Wessington School District No. 2-6**  
Management's Discussion and Analysis (MD&A)  
For the Year Ended June 30, 2022

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This section of Wolsey-Wessington School District No. 2-6 annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2022. Please read it in conjunction with the School's financial statements, which follows this section.

### **Financial Highlights**

- During the year, the School's revenues generated from taxes and other revenues of the governmental and business-type programs were \$5,731,039, \$785,092 more than the \$4,945,947 governmental and business-type program expenditures.
- The total cost of the School's programs increased by 3.06%. This was due to higher pay for staff and COVID expenses.
- The General Fund reported a \$263,255 current year loss primarily due to controlling expenditure costs. COVID money was also received to help with expenditures.
- In the governmental funds, total fund balance increase was \$486,262. There was a decrease of \$263,255 in General Fund, an increase of \$481,864 in Capital Outlay Fund, an increase of \$52,125 in Special Education Fund, an increase of \$215,528 in Debt Service Funds. The Debt Service Fund will eventually payoff the Qualified School Construction Term Bond.

### **Overview of the Financial Statements**

This 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, reporting the School's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general governmental services were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short and long-term financial information about the activities that the School operates like businesses. The proprietary funds operated by the School are the Food Service Operation (Fund 51), and the Drivers Education/Preschool funds (Fund 53).
- Fiduciary fund statements provide information about the financial relationships – like student organization club accounts – 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.

**Wolsey-Wessington School District No. 2-6**  
 Management's Discussion and Analysis (MD&A)  
 For the Year Ended June 30, 2022 (Continued)

Figure A-1 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 reminder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

**Figure A-1**

<b>Major Features of Wolsey-Wessington School's Government-wide and Fund Financial Statements</b>				
	<b>Government-wide Statements</b>	<b>Fund Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
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, preschool, PASS, and the drivers' education program	Instances in which the School is the trustee or agent for someone else's resources.
Required Financial Statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**Wolsey-Wessington School District No. 2-6**  
Management's Discussion and Analysis (MD&A)  
For the Year Ended June 30, 2022 (Continued)

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### **Government-Wide Statements**

The government-wide statements report information about the School using accounting methods comparable to those used by private-sector companies. The statement of net position includes all the government's assets and liabilities. All 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, and federal grants finance most of these activities.
- **Business-type Activities** – The School charges fees and receives federal and state reimbursements to cover the costs of providing lunch services to all students and charges fees to cover the costs of providing drivers education and preschool services to students. The Food Service, Drivers' Education and Preschool funds are the only business-type activities of the School.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the School's most significant 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 specified purposes.

- State law requires some of the funds.
- The School Board establishes other funds to control and manage money for specified purposes.

**Wolsey-Wessington School District No. 2-6**  
Management's Discussion and Analysis (MD&A)  
For the Year Ended June 30, 2022 (Continued)

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The School has three 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 converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds 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 fund's 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 funds, like the government-wide statements, provide both short and long-term financial information. The Food Service, Drivers Education, and Preschool Enterprise funds are the only 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 the School's fiduciary activities are reported in a separate statement of 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.

**Wolsey-Wessington School District No. 2-6**  
**Management's Discussion and Analysis (MD&A)**  
**For the Year Ended June 30, 2022 (Continued)**

**Financial Analysis of the School as a Whole – Net Position**

Net Position

The school's combined net position increased as follows:

Table A-1  
Wolsey-Wessington School District 2-6  
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total % Change 2021-2022
	2021	2022	2021	2022	2021	2022	
Current and Other Assets	\$ 8,680,308	\$ 9,765,102	\$ 40,256	\$ 64,878	\$ 8,720,564	\$ 9,829,980	12.72%
Capital Assets (Net of Depreciation)	7,664,928	7,624,868	27,248	23,842	7,692,176	7,648,710	-0.57%
Total Assets	16,345,236	17,389,970	67,504	88,720	16,412,740	17,478,690	6.49%
Pension Related Deferred Outflows	699,252	1,062,831	--	--	699,252	1,062,831	52.00%
Total Deferred Outflows or Resources	699,252	1,062,831	--	--	699,252	1,062,831	52.00%
Long-Term Liabilities Outstanding	6,495,133	6,347,302	635	538	6,495,768	6,347,840	-2.28%
Other Liabilities	514,291	485,693	27,805	31,174	542,096	516,867	-4.65%
Total Liabilities	7,009,424	6,832,995	28,440	31,712	7,037,864	6,864,707	-2.46%
Taxes Levied for Future Period	1,431,167	1,319,024	--	--	1,431,167	1,319,024	-7.84%
Pension Related Deferred Inflows	571,482	1,500,605	--	--	571,482	1,500,605	162.58%
Total Deferred Inflows of Resources	2,002,649	2,819,629	--	--	2,002,649	2,819,629	40.79%
Net Investment in Capital Assets	1,273,790	1,341,111	27,248	23,842	1,301,038	1,364,953	4.91%
Restricted	5,955,459	6,909,686	--	--	5,955,459	6,909,686	16.02%
Unrestricted	803,166	549,380	11,816	33,166	814,982	582,546	-28.52%
Total Net Assets	8,032,415	8,800,177	39,064	57,008	8,071,479	8,857,185	9.73%
Beginning Net Position	7,076,856	8,032,415	38,974	39,064	7,115,830	8,071,479	13.43%
Restatement - see note 13	--	614	--	--	--	614	100.00%
Increase (Decrease) in Net Position	\$ 955,559	\$ 767,148	\$ 90	\$ 17,944	\$ 955,649	\$ 785,092	-17.85%
Percentage of Increase (Decrease) in Net Position	13.50%	9.55%	0.23%	45.93%	13.43%	9.73%	

The District's combined net position of approximately \$8 million is approximately \$786,000 or 9.73% larger than on June 30, 2021.

The Statement of Net Position reports all financial and capital resources. The statement presents the assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 compensated absences payable, energy efficiency loans, leases, limited tax general obligation capital outlay certificates and QSCB bonds payable, have been reported in this manner on the Statement of Net Position. The difference between the School's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is its net position.



**Wolsey-Wessington School District No. 2-6**  
Management's Discussion and Analysis (MD&A)  
For the Year Ended June 30, 2022 (Continued)

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**Changes in Net Position**

The District's revenues (excluding transfers) totaled \$5,731,039 (See Table A-4). This was approximately a .41% decrease. Approximately 60% of the District's revenues come from property and other taxes, with another 24% coming from state aid. (See Table A-2.)

Table A-2  
Wolsey-Wessington School District 2-6  
Sources of Revenues  
Fiscal Year 2021-2022

Taxes	\$ 3,447,734	60.16%
State Sources	1,402,370	24.47%
Operating Grants & Contributions	599,983	10.47%
Charges for Services	65,739	1.15%
Other General Revenues	197,902	3.45%
Unrestricted Investment Earnings	17,311	0.30%
<b>Total Revenue</b>	<b>\$ 5,731,039</b>	<b>100.00%</b>

The District's expenses totaled \$4,945,947 (See Table A-4). This was a 3.06% increase from the prior year. The School's expenses cover a range of services, encompassing instruction, support services, co-curricular, food services, community services, debt service, preschool services, and driver's education (See Table A-3).

Table A-3  
Wolsey-Wessington School District 2-6  
Statement of Expenditures  
Fiscal Year 2021-2022

Instruction	\$ 2,364,738	47.80%
Support Services	1,855,569	37.52%
Food Service	239,393	4.84%
Co-Curricular Activities	258,995	5.24%
Interest on Long-Term Debt	153,335	3.10%
Community Services	27,078	0.55%
Preschool Program	39,908	0.81%
Drivers Education	6,931	0.14%
<b>Total Expenditures</b>	<b>\$ 4,945,947</b>	<b>100.00%</b>

**Wolsey-Wessington School District No. 2-6**  
**Management's Discussion and Analysis (MD&A)**  
**For the Year Ended June 30, 2022 (Continued)**

**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  
Wolsey-Wessington School District No. 2-6  
Changes in Net Position

	Government Activities		Business-Type Activities		Total		Total Percentage Change
	2021	2022	2021	2022	2021	2022	
Revenues							
Program Revenues							
Charge for Services	\$ 34,586	\$ 29,322	\$ 41,113	\$ 36,417	\$ 75,699	\$ 65,739	-13.16%
Operating Grants/Contributions	67,825	376,412	172,435	223,571	240,260	599,983	149.72%
General Revenues							
Taxes	3,643,567	3,447,734	--	--	3,643,567	3,447,734	-5.37%
Revenue State Sources	1,403,740	1,401,775	993	595	1,404,733	1,402,370	-0.17%
Other							
Revenue from federal sources	185,010	--	--	--	185,010	--	-100.00%
Other general revenues	164,413	184,309	14,833	13,593	179,246	197,902	10.41%
Unrestricted Investment Earnings	26,267	17,311	--	--	26,267	17,311	-34.10%
	<u>5,525,408</u>	<u>5,456,863</u>	<u>229,374</u>	<u>274,176</u>	<u>5,754,782</u>	<u>5,731,039</u>	<u>-0.41%</u>
Expenses							
Instruction	2,288,265	2,364,738	--	--	2,288,265	2,364,738	3.34%
Support Services	1,771,272	1,855,569	--	--	1,771,272	1,855,569	4.76%
Community Services	104,156	27,078	--	--	104,156	27,078	-74.00%
Interest on long-term debt	154,313	153,335	--	--	154,313	153,335	-0.63%
Co-curricular Activities	186,843	258,995	--	--	186,843	258,995	38.62%
Food Service	--	--	242,683	239,393	242,683	239,393	-1.36%
Drivers Education	--	--	6,931	6,931	6,931	6,931	0.00%
Preschool Program	--	--	44,670	39,908	44,670	39,908	-10.66%
	<u>4,504,849</u>	<u>4,659,715</u>	<u>294,284</u>	<u>286,232</u>	<u>4,799,133</u>	<u>4,945,947</u>	<u>3.06%</u>
Excess (Deficiency) of Revenues Over Expenses	1,020,559	797,148	(64,910)	(12,056)	955,649	785,092	-17.85%
Transfers	(65,000)	(30,000)	65,000	30,000	--	--	0.00%
Increase (Decrease) in Net Position	<u>955,559</u>	<u>767,148</u>	<u>90</u>	<u>17,944</u>	<u>955,649</u>	<u>785,092</u>	<u>-17.85%</u>
Beginning Net Position	<u>7,076,856</u>	<u>8,032,415</u>	<u>38,974</u>	<u>39,064</u>	<u>7,115,830</u>	<u>8,071,479</u>	<u>13.43%</u>
Restatement - see note 13	--	614	--	--	--	614	100.00%
Restated Beginning Net Position	<u>7,076,856</u>	<u>8,033,029</u>	<u>38,974</u>	<u>39,064</u>	<u>7,115,830</u>	<u>8,072,093</u>	<u>13.44%</u>
Ending Net Position	<u>\$ 8,032,415</u>	<u>\$ 8,800,177</u>	<u>\$ 39,064</u>	<u>\$ 57,008</u>	<u>\$ 8,071,479</u>	<u>\$ 8,857,185</u>	<u>9.73%</u>

**Governmental Activities**

Revenues for the School's governmental activities decreased by approximately \$68k while expenses for governmental activities increased by approximately \$155k. Some of the increase in net position comes from using additional COVID funds. Revenue decrease is due to lower students enrolled.

**Wolsey-Wessington School District No. 2-6**  
Management's Discussion and Analysis (MD&A)  
For the Year Ended June 30, 2022 (Continued)

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**Business-Type Activities**

Revenues of the School's business-type activities increased by approximately \$45k and expenses decreased by approximately \$8k. The increase in net position was due to COVID free meals that were provided to all students during the school year.

Other factors contributing to these results included:

- Increase in revenue was due to an increase in reimbursement money.
- The primary reason for the decrease in expenses was due to not running a summer feeding program.

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

Overall, the governmental funds have an approximately \$486k increase in net position over last year. The main cause was having higher revenues compared to expenditures. We received COVID funds to help offset some of the expenditures that would normally come from other funds.

**General Fund Budgetary Highlights**

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

- Supplemental appropriations approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

There were budget changes for the year due to increases in special education, title I and title II costs.

**Wolsey-Wessington School District No. 2-6**  
Management's Discussion and Analysis (MD&A)  
For the Year Ended June 30, 2022 (Continued)

**Capital Asset Administration**

By the end of June 30, 2022, the School had invested roughly \$7,600,000 (net of depreciation) in a broad range of capital assets, including, land, buildings, intangible lease assets, and various machinery and equipment. (See Table A-5.) This amount represents a net decrease (including additions and deductions) of \$51,780, or .67%, over last year due mostly to the natural increase of accumulated depreciation.

Table A-5  
Capital Assets (Net of Depreciation/Amortization)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Dollar Change</u>	<u>Total % Change</u>
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>		
Land	\$ 46,040	\$ 46,040	\$ --	\$ --	\$ --	0.00%
Buildings	7,077,202	6,923,535	--	--	(153,667)	-2.17%
Improvements other than buildings	127,605	116,401	--	--	(11,204)	-8.78%
Machinery & equipment	414,081	459,323	27,248	23,842	41,836	9.48%
Intangible lease assets - restated	8,314	79,569	--	--	71,255	857.05%
Total Capital Assets	<u>\$ 7,673,242</u>	<u>\$ 7,624,868</u>	<u>\$ 27,248</u>	<u>\$ 23,842</u>	<u>\$ (51,780)</u>	<u>-0.67%</u>

**Long-Term Debt**

At year-end, the School had \$6,347,840 in long-term obligations. This is a decrease of 2.39% as shown on Table A-6 below.

Table A-6  
Outstanding Debt and Obligations

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Dollar Change</u>	<u>Total % Change</u>
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>		
Qualified School Construction Bonds	\$ 3,090,000	\$ 3,090,000	\$ --	\$ --	\$ --	0.00%
Limited Tax General Obligation Capital						
Outlay Certificates	3,275,000	3,090,000	--	--	(185,000)	-5.65%
Plus: Unamortized Premiums	26,138	24,395	--	--	(1,743)	-6.67%
Leases - restated	7,700	79,362	--	--	71,662	930.68%
Energy Efficiency Loan	91,283	53,758	--	--	(37,525)	-41.11%
Compensated absences	12,712	9,787	635	538	(3,022)	-22.64%
Total Outstanding Debt	<u>\$ 6,502,833</u>	<u>\$ 6,347,302</u>	<u>\$ 635</u>	<u>\$ 538</u>	<u>\$ (155,628)</u>	<u>-2.39%</u>

The School is liable for the accrued sick leave payable to the various employees who have tenure at the School District.

**Wolsey-Wessington School District No. 2-6**  
Management’s Discussion and Analysis (MD&A)  
For the Year Ended June 30, 2022 (Continued)

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The School District also has an early retirement benefit for those employees meeting certain qualifications to retire early and can receive a monthly check, reduced by all required deductions according to federal and state statutes, equal to the amount of a monthly insurance payment. These benefits are only offered for a maximum of 24 months after the employee’s retirement date and the school will only pay no more than two Wolsey-Wessington teachers in any one year. If there are more than two applicants for early retirement/insurance, the teacher with the most total years employed in the Wolsey-Wessington School District shall be allowed to retire and receive benefits first. As of the end of FY22, the School District will have zero employees that will utilize this option during FY23.

The School District paid \$61,800 in interest on the Quality School Construction Bonds and paid \$91,535 in interest on the limited tax general obligation capital outlay certificates for the fiscal year 2022.

**Economic Factors and Next Year’s Budgets and Rates**

The School’s current economic position has shown decrease valuations. The School total property valuation for the 2021 taxes payable in 2022 is \$499,313,647. The School did experience a decrease in total property valuation of \$20,558,258 or approximately 4% from the prior year. The decrease in property valuation allows the School the ability to decrease the amount of revenue generated from property taxes, however, the total amount which can be levied is limited by the State of South Dakota.

One of the primary sources of revenue to the School is based on a target student to teacher ratio set by the State of South Dakota Legislature. This revised state aid to education formula did increase the district’s total need by \$26,927 from the previous year. With this increase, the district had to watch over expenditure spending. The reason for the slight increase was due to a lower student count. Additional revenue along with stable enrollment will help ensure that the school district remains financially sound for the next year.

The School’s enrollment for the last three years has been as follows:

Table A-7  
Wolsey-Wessington School District  
ADM for the Last Three Years

<u>Year</u>	<u>ADM</u>	<u>Percent Increase (Decrease) in ADM</u>
2022	339	-3.69%
2021	352	-1.40%
2020	357	3.18%

**Contacting the District’s Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, 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 Wolsey-Wessington School’s Business Office, 375 Ash St. SE, Wolsey, SD 57384.

**Wolsey-Wessington School District No. 2-6**  
Statement of Net Position – Government-Wide  
June 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 4,582,100	\$ 60,044	\$ 4,642,144
Incidental imprest account	2,000	--	2,000
Taxes receivable	1,379,493	--	1,379,493
Inventories	--	3,670	3,670
Other assets	445,860	1,164	447,024
Net pension asset	776,428	--	776,428
Restricted Assets:			
Cash and cash equivalents	2,579,221	--	2,579,221
Capital Assets:			
Land and construction in progress	46,040	--	46,040
Other capital assets, net of depreciation	7,578,828	23,842	7,602,670
Total Assets	<u>17,389,970</u>	<u>88,720</u>	<u>17,478,690</u>
<b>Deferred Outflows of Resources:</b>			
Pension related deferred outflows	<u>1,062,831</u>	<u>--</u>	<u>1,062,831</u>
<b>Liabilities:</b>			
Accounts payable	117,246	416	117,662
Other current liabilities	368,447	30,758	399,205
Noncurrent Liabilities:			
Due within one year	246,434	--	246,434
Due in more than one year	6,100,868	538	6,101,406
Total Liabilities	<u>6,832,995</u>	<u>31,712</u>	<u>6,864,707</u>
<b>Deferred Inflows of Resources:</b>			
Taxes levied for future period	1,319,024	--	1,319,024
Pension related deferred inflows	<u>1,500,605</u>	<u>--</u>	<u>1,500,605</u>
Total Deferred Inflows of Resources	<u>2,819,629</u>	<u>--</u>	<u>2,819,629</u>
<b>Net Position:</b>			
Net investment in capital assets	1,341,111	23,842	1,364,953
Restricted for:			
Capital outlay	3,147,337	--	3,147,337
Special education	844,474	--	844,474
Debt service	2,579,221	--	2,579,221
SDRS pension purposes	338,654	--	338,654
Unrestricted	<u>549,380</u>	<u>33,166</u>	<u>582,546</u>
Total Net Position	<u>\$ 8,800,177</u>	<u>\$ 57,008</u>	<u>\$ 8,857,185</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

**Wolsey-Wessington School District No. 2-6**  
Statement of Activities – Government-Wide  
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instruction	\$ 2,364,738	\$ --	\$ 376,412	\$ (1,988,326)	\$ --	\$ (1,988,326)
Support services	1,855,569	10,070	--	(1,845,499)	--	(1,845,499)
Community services	27,078	--	--	(27,078)	--	(27,078)
Interest on long term debt*	153,335	--	--	(153,335)	--	(153,335)
Co-curricular activities	258,995	19,252	--	(239,743)	--	(239,743)
<b>Total Governmental Activities</b>	<b>4,659,715</b>	<b>29,322</b>	<b>376,412</b>	<b>(4,253,981)</b>	<b>--</b>	<b>(4,253,981)</b>
Business-Type Activities:						
Food service	239,393	20,657	223,571	--	4,835	4,835
Driver's education	6,931	5,675	--	--	(1,256)	(1,256)
Preschool program	39,908	10,085	--	--	(29,823)	(29,823)
<b>Total Business-Type Activities</b>	<b>286,232</b>	<b>36,417</b>	<b>223,571</b>	<b>--</b>	<b>(26,244)</b>	<b>(26,244)</b>
<b>Total Primary Government</b>	<b>\$ 4,945,947</b>	<b>\$ 65,739</b>	<b>\$ 599,983</b>	<b>(4,253,981)</b>	<b>(26,244)</b>	<b>(4,280,225)</b>
General Revenues:						
Taxes:						
				3,385,049	--	3,385,049
				62,685		62,685
Revenue from State Sources:						
				1,401,775	595	1,402,370
				--	--	--
				17,311	--	17,311
				184,309	13,593	197,902
				(30,000)	30,000	--
				<b>5,021,129</b>	<b>44,188</b>	<b>5,065,317</b>
				767,148	17,944	785,092
				<b>8,032,415</b>	<b>39,064</b>	<b>8,071,479</b>
				614	--	614
				<b>8,033,029</b>	<b>39,064</b>	<b>8,072,093</b>
				<b>\$ 8,800,177</b>	<b>\$ 57,008</b>	<b>\$ 8,857,185</b>

\*The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

The accompanying Notes to Financial Statements are an integral part of these financial statements.

**Wolsey-Wessington School District No. 2-6**

Balance Sheet – Governmental Funds

June 30, 2022

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ 526,086	\$ 3,208,901	\$ 847,113	\$ --	\$ 4,582,100
Taxes receivable - current	384,485	586,011	348,528	--	1,319,024
Taxes receivable - delinquent	18,071	25,614	16,784	--	60,469
Due from other government	345,323	--	94,308	--	439,631
Prepaid items	--	6,229	--	--	6,229
Advance payments	2,000	--	--	--	2,000
Restricted cash	--	--	--	2,579,221	2,579,221
Total Assets	<u>\$ 1,275,965</u>	<u>\$ 3,826,755</u>	<u>\$ 1,306,733</u>	<u>\$ 2,579,221</u>	<u>\$ 8,988,674</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 22,795	\$ 67,793	\$ 26,658	\$ --	\$ 117,246
Contracts payable	227,111	--	51,529	--	278,640
Payroll deductions and withholding and employer matching payable	72,873	--	16,934	--	89,807
Total Liabilities	<u>322,779</u>	<u>67,793</u>	<u>95,121</u>	<u>--</u>	<u>485,693</u>
<b>Deferred Inflows of Resources:</b>					
Taxes levied for a future period	384,485	586,011	348,528	--	1,319,024
Unavailable revenue - property taxes	18,071	25,614	16,784	--	60,469
Total Deferred Inflows of Resources	<u>402,556</u>	<u>611,625</u>	<u>365,312</u>	<u>--</u>	<u>1,379,493</u>
<b>Fund Balances:</b>					
Restricted					
Capital outlay fund	--	3,147,337	--	--	3,147,337
Special education fund	--	--	846,300	--	846,300
Debt service requirements	--	--	--	2,579,221	2,579,221
Assigned	150,000	--	--	--	150,000
Unassigned	400,630	--	--	--	400,630
Total Fund Balances	<u>550,630</u>	<u>3,147,337</u>	<u>846,300</u>	<u>2,579,221</u>	<u>7,123,488</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,275,965</u>	<u>\$ 3,826,755</u>	<u>\$ 1,306,733</u>	<u>\$ 2,579,221</u>	<u>\$ 8,988,674</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.



## Wolsey-Wessington School District No. 2-6

### Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2022

Total Fund Balances - Governmental Funds \$ 7,123,488

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in governmental funds.

Cost of Capital Assets	\$ 10,569,483	
Less Accumulated Depreciation	<u>(2,944,615)</u>	
Net Capital Assets		7,624,868

Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.		60,469
---	--	--------

The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.

Total Deferred Outflows of Resources	\$ 1,062,831	
Total Deferred Inflows of Resources	<u>(1,500,605)</u>	
Net Deferred Outflows/Inflows of Resources		(437,774)

Long-term liabilities applicable to the school district's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Balances as of June 30, 2022 are:

Qualified School Construction Bonds	\$ (3,090,000)	
Limited tax general obligation, capital outlay certificates	(3,114,395)	
Energy Efficiency Loan	(53,758)	
Leases	(79,362)	
Accrued Leave Payable	(9,787)	
Pension Asset	<u>776,428</u>	
Net Long-Term Liabilities		<u>(5,570,874)</u>
Net Position-Governmental Funds		<u><u>\$ 8,800,177</u></u>

**Wolsey-Wessington School District No. 2-6**  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
For the Year Ended June 30, 2022

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
<b>Revenues:</b>					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 1,036,194	\$ 1,392,305	\$ 865,752	\$ --	\$ 3,294,251
Prior years' ad valorem taxes	23,854	29,905	19,471	--	73,230
Utility taxes	62,685	--	--	--	62,685
Penalties and interest on taxes	5,786	7,148	4,634	--	17,568
Earnings on Investments and Deposits	1,138	--	--	16,173	17,311
Co-curricular Activities:					
Admissions	19,217	--	--	--	19,217
Rentals	35	--	--	--	35
Other Revenue from Local Sources:					
Charges for services	8,720	--	1,350	--	10,070
Other	30,834	31,629	54,042	--	116,505
Revenue from Intermediate Sources:					
County sources:					
County apportionment	17,616	--	--	--	17,616
Revenue in lieu of taxes	7,187	--	--	--	7,187
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid	1,401,775	--	--	--	1,401,775
Restricted grants-in-aid	5,728	--	--	--	5,728
Other State Revenue	--	--	1,205	--	1,205
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted grants-in-aid received from federal government through the state	272,609	2,562	94,308	--	369,479
Other Federal Revenue	18,101	22,100	--	--	40,201
Total Revenues	<u>\$ 2,911,479</u>	<u>\$ 1,485,649</u>	<u>\$ 1,040,762</u>	<u>\$ 16,173</u>	<u>\$ 5,454,063</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

**Wolsey-Wessington School District No. 2-6**  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
For the Year Ended June 30, 2022 (Continued)

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
<b>Expenditures:</b>					
Instruction:					
Regular Programs:					
Elementary	\$ 649,415	\$ 29,426	\$ --	\$ --	\$ 678,841
Middle/junior high	230,381	46,332	--	--	276,713
High school	611,999	67,087	--	--	679,086
Special Programs:					
Programs for special education	--	1,403	563,955	--	565,358
Educationally deprived	147,064	--	--	--	147,064
Support Services:					
Students:					
Attendance and social work	--	--	7,356	--	7,356
Guidance	101,671	--	44,950	--	146,621
Health	57,311	--	--	--	57,311
Psychological	--	--	37,673	--	37,673
Speech pathology	--	--	182,801	--	182,801
Student therapy services	--	--	33,197	--	33,197
Instructional Staff:					
Improvement of instruction	52,296	--	--	--	52,296
Educational media	62,550	2,202	--	--	64,752
General Administration:					
Board of education	27,560	--	--	--	27,560
Executive administration	131,436	3,397	--	--	134,833
School Administration:					
Office of the principal	152,673	--	--	--	152,673
Other	779	--	--	--	779
Business:					
Fiscal services	112,675	188	--	--	112,863
Operation and maintenance of plant	429,515	99,345	--	--	528,860
Student transportation	157,573	1,974	--	--	159,547

The accompanying Notes to Financial Statements are an integral part of these financial statements.

**Wolsey-Wessington School District No. 2-6**

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

For the Year Ended June 30, 2022 (Continued)

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
<b>Expenditures:</b>					
Special Education:					
Administrative costs	\$ --	\$ --	\$ 43,129	\$ --	\$ 43,129
Transportation costs	--	--	1,650	--	1,650
Other special education costs	--	--	73,926	--	73,926
Community Services:					
Care and custody of children	27,078	--	--	--	27,078
Debt Services	--	398,538	--	--	398,538
Cocurricular Activities:					
Male activities	60,953	10,541	--	--	71,494
Female activities	45,734	17,378	--	--	63,112
Transportation	11,630	--	--	--	11,630
Combined activities	74,741	1,665	--	--	76,406
Capital Outlay	--	217,126	--	--	217,126
Total Expenditures	<u>3,145,034</u>	<u>896,602</u>	<u>988,637</u>	<u>--</u>	<u>5,030,273</u>
Excess of Revenue Over (Under) Expenditures	<u>(233,555)</u>	<u>589,047</u>	<u>52,125</u>	<u>16,173</u>	<u>423,790</u>
Other Financing Sources (Uses):					
Transfers in	--	--	--	199,355	199,355
Transfers out	(30,000)	(199,355)	--	--	(229,355)
General long term debt issued	--	89,672	--	--	89,672
Sale of surplus property	300	2,500	--	--	2,800
Total Other Financing Sources (Uses)	<u>(29,700)</u>	<u>(107,183)</u>	<u>--</u>	<u>199,355</u>	<u>62,472</u>
Net Change in Fund Balances	(263,255)	481,864	52,125	215,528	486,262
<b>Fund Balance - Beginning of Year</b>	<u>813,885</u>	<u>2,665,473</u>	<u>794,175</u>	<u>2,363,693</u>	<u>6,637,226</u>
<b>Fund Balance - End of Year</b>	<u>\$ 550,630</u>	<u>\$ 3,147,337</u>	<u>\$ 846,300</u>	<u>\$ 2,579,221</u>	<u>\$ 7,123,488</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

**Wolsey-Wessington School District No. 2-6**  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
 Fund Balances to the Government-Wide Statement of Activities  
 For the Year Ended June 30, 2022

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Net Change in Fund Balances - Total Governmental Funds \$ 486,262

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.

Current Year Capital Outlay	217,126	
Current Year Depreciation Expense	<u>(265,500)</u>	
		(48,374)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Decrease to Pension Expense 206,536

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.

Net Decrease in Taxes Receivable (32,807)

Some liabilities, such as compensated absences, bonds payable, long-term debt, and notes payable, and other postemployment benefits are not included in the fund financial statement, but are included in the governmental actives of the net position as they do not represent current financial liabilities.

Payment of Principal Long-Term Debt	242,278	
Accrued Leave	<u>2,925</u>	
		245,203

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. (89,672)

Change in Net Position of Governmental Activities \$ 767,148

The accompanying Notes to Financial Statements are an integral part of these financial statements.

**Wolsey-Wessington School District No. 2-6**  
Statement of Net Position – Proprietary Funds  
June 30, 2022

	<b>Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>Other Enterprise Fund</b>	<b>Total</b>
<b>Assets:</b>			
Current Assets:			
Cash and cash equivalents	\$ 54,657	\$ 5,387	\$ 60,044
Accounts receivable	404	760	1,164
Inventory of supplies	700	--	700
Inventory of stores purchased for resale	2,391	--	2,391
Inventory of donated food	579	--	579
Total Current Assets	<u>58,731</u>	<u>6,147</u>	<u>64,878</u>
Capital Assets:			
Machinery and equipment - local funds	66,832	--	66,832
Accumulated depreciation	(42,990)	--	(42,990)
Total Capital Assets	<u>23,842</u>	<u>--</u>	<u>23,842</u>
Total Assets	<u>\$ 82,573</u>	<u>\$ 6,147</u>	<u>\$ 88,720</u>
<b>Liabilities:</b>			
Current Liabilities:			
Accounts payable	\$ --	\$ 416	\$ 416
Contract payable	--	9,083	9,083
Payroll deductions and withholdings	--	2,125	2,125
Unearned revenue	19,550	--	19,550
Total Current Liabilities	<u>19,550</u>	<u>11,624</u>	<u>31,174</u>
Noncurrent Liabilities:			
Accrued leave payable	538	--	538
Total Noncurrent Liabilities	<u>538</u>	<u>--</u>	<u>538</u>
<b>Net Position:</b>			
Net investment in capital assets	23,842	--	23,842
Unrestricted net position	38,643	(5,477)	33,166
Total Net Position	<u>\$ 62,485</u>	<u>\$ (5,477)</u>	<u>\$ 57,008</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

**Wolsey-Wessington School District No. 2-6**  
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds  
For the Year Ended June 30, 2022

	<b>Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>Other Enterprise Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>			
Sales:			
To adults	\$ 10,379	\$ --	\$ 10,379
Ala carte	2,785	--	2,785
Other charges for goods and services	200	23,053	23,253
Total Operating Revenue	<u>13,364</u>	<u>23,053</u>	<u>36,417</u>
<b>Operating Expenses:</b>			
Salaries	90,009	36,805	126,814
Employee benefits	27,127	8,908	36,035
Purchased services	2,139	--	2,139
Supplies	5,791	1,126	6,917
Cost of sales - purchased food	97,726	--	97,726
Cost of sales - donated food	13,053	--	13,053
Miscellaneous	142	--	142
Depreciation - local funds	3,406	--	3,406
Total Operating Expenses	<u>239,393</u>	<u>46,839</u>	<u>286,232</u>
Operating (Loss)	<u>\$ (226,029)</u>	<u>\$ (23,786)</u>	<u>\$ (249,815)</u>
<b>Non-Operating Revenue:</b>			
State Sources:			
Cash reimbursements	\$ 595	\$ --	\$ 595
Federal Sources:			
Cash reimbursements	223,571	--	223,571
Donated food	13,593	--	13,593
Total Non-Operating Revenue	<u>237,759</u>	<u>--</u>	<u>237,759</u>
Income (Loss) Before Transfers	11,730	(23,786)	(12,056)
Transfers in	<u>15,000</u>	<u>15,000</u>	<u>30,000</u>
Change in Net Position	26,730	(8,786)	17,944
<b>Net Position - Beginning of Year</b>	<u>35,755</u>	<u>3,309</u>	<u>39,064</u>
<b>Net Position- End of Year</b>	<u>\$ 62,485</u>	<u>\$ (5,477)</u>	<u>\$ 57,008</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

**Wolsey-Wessington School District No. 2-6**  
Statement of Cash Flows– Proprietary Funds  
For the Year Ended June 30, 2022

	<b>Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>Other Enterprise Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>			
Cash receipts from customers	\$ 36,625	\$ 23,258	\$ 59,883
Cash payments to suppliers	(107,231)	(1,196)	(108,427)
Cash payments to employees	(120,197)	(47,951)	(168,148)
Net Cash (Used) by Operating Activities	<u>(190,803)</u>	<u>(25,889)</u>	<u>(216,692)</u>
<b>Cash Flows from Non-Capital Financing Activities</b>			
Transfers from general fund	15,000	15,000	30,000
Cash reimbursements - state	595	--	595
Cash reimbursements - federal	223,571	--	223,571
Net Cash Provided by Non-Capital Financing Activities	<u>239,166</u>	<u>15,000</u>	<u>254,166</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	48,363	(10,889)	37,474
<b>Cash and Cash Equivalents, Beginning of Year</b>	6,294	16,276	22,570
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 54,657</u>	<u>\$ 5,387</u>	<u>\$ 60,044</u>
<b>Reconciliation of Operating (Loss) to Net Cash Used by Operating Activities</b>			
Operating (loss)	\$ (226,029)	\$ (23,786)	\$ (249,815)
<b>Adjustments to Reconcile Operating (Loss) to Net Cash (Used) by Operating Activities</b>			
Depreciation expense	3,406	--	3,406
Noncash cost of sales - commodities	13,053	--	13,053
Change in Assets and Liabilities:			
Accounts receivable	14,558	205	14,763
Inventories	(1,371)	--	(1,371)
Accounts and other payables	(62)	(70)	(132)
Unearned revenue	8,703	--	8,703
Accrued wages payable	(3,061)	(2,238)	(5,299)
Net Cash (Used) by Operating Activities	<u>\$ (190,803)</u>	<u>\$ (25,889)</u>	<u>\$ (216,692)</u>
<b>Non-Cash Investing, Capital, and Financing Activities</b>			
Value of commodities received	<u>\$ 13,593</u>	<u>\$ --</u>	<u>\$ 13,593</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.



**Wolsey-Wessington School District No. 2-6**  
Statement of Net Position– Fiduciary Funds  
For the Year Ended June 30, 2022

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	<b>Private - Purpose Trust Funds</b>	<b>Custodial Funds</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 5,000	\$ 105,419
Total Assets	\$ 5,000	\$ 105,419
<b>Net Position:</b>		
Restricted for:		
Scholarships	\$ 5,000	\$ --
Individuals, organizations, and other governments	--	105,419
Total Net Position	\$ 5,000	\$ 105,419

The accompanying Notes to Financial Statements are an integral part of these financial statements.

**Wolsey-Wessington School District No. 2-6**  
Statement of Changes in Fiduciary Net Position– Fiduciary Funds  
For the Year Ended June 30, 2022

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	<b>Private- Purpose Trust Funds</b>	<b>Custodial Funds</b>
<b>Additions:</b>		
Private donations	\$ --	\$ --
Collections for student activities	--	177,329
Total Additions	--	177,329
<b>Deductions:</b>		
Scholarships awarded	650	--
Payments for student activities	--	164,190
Total Deductions	650	164,190
Change in Net Position	(650)	13,139
<b>Net Position - Beginning</b>	5,650	92,280
<b>Net Position - Ending</b>	\$ 5,000	\$ 105,419

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## Wolsey-Wessington School District No. 2-6

Notes to the Financial Statements

June 30, 2022

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### 1. Summary of Significant Accounting Policies:

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

#### a. Financial Reporting Entity:

The reporting entity of Wolsey-Wessington School District No. 2-6, 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.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on the organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has no component units.

#### b. Basis of Presentation:

##### **Government-Wide Financial Statements:**

The Statement of Net Position and the Statement of Activities display information about the reporting entity. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between the governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. 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 minus liabilities equal net assets). Net Position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

## Wolsey-Wessington School District No. 2-6

Notes to the Financial Statements

June 30, 2022

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

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.

#### **Fund Financial Statements:**

Fund financial statements of the reporting entity are organized into funds, each of which is 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 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 Fund Types** – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Capital Outlay Fund** – A fund established by SDCL 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.

## Wolsey-Wessington School District No. 2-6

Notes to the Financial Statements

June 30, 2022

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

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 that reside within the School District. This fund is financed by grants and property taxes. This is a major fund.

Debt Service Fund Types – 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 – The QSCB Fund is the only debt service fund. This fund was established to collect money in the sinking funds for payment of term bonds. The Capital Outlay fund transfers money to this fund on a yearly basis. At the end of the term, the bonds will be paid off. 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 and the preschool program. This fund is financed by user charges. This is not a major fund.

## Wolsey-Wessington School District No. 2-6

Notes to the Financial Statements

June 30, 2022

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

#### Fiduciary Funds:

Fiduciary Funds are never considered to be major funds.

Private-Purpose Trust Funds – Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains the Scholarship Fund as its only private-purpose trust fund which is used to administer scholarships for students. The fund is financed through contributions and interest.

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

#### c. Measurement Focus and Basis of Accounting:

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

#### **Measurement Focus**

##### Government-Wide Financial Statements:

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

##### Fund Financial Statements:

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

## Wolsey-Wessington School District No. 2-6

Notes to the Financial Statements

June 30, 2022

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

#### **Basis of Accounting:**

##### Government-Wide Financial Statements:

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

##### Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the School District, the length of that cycle is sixty days. The revenues which are accrued as of June 30, 2022 are utility taxes, revenues due from state government, and grants due from federal 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 deferred inflow of resources.

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

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

#### d. Interfund Eliminations and Reclassifications:

##### **Government-Wide Financial Statements:**

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

1. To minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances, if any.

## Wolsey-Wessington School District No. 2-6

### Notes to the Financial Statements

June 30, 2022

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

##### **Fund Financial Statements:**

Noncurrent portions of long-term interfund receivables are reported as non-spendable Fund Balance to the extent that the proceeds from the collection of those receivables are not Restricted, Committed, or Assigned. Current portions of interfund receivables are considered “available spendable resources” and are reported in the appropriate fund balance category.

##### e. Inventory:

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

For the governmental activities and proprietary fund types, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the government-wide and the fund financial statements, inventories in the General Fund and Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a non-spendable fund balance, which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets. No material inventories were on hand as of June 30, 2022.

##### f. Deposits and Investments:

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

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

##### g. 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.



## Wolsey-Wessington School District No. 2-6

Notes to the Financial Statements

June 30, 2022

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### 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 the estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized. Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs.

The total June 30, 2022 balance of capital assets for governmental activities and business-type activities are all valued at original cost.

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

	<u>Capitalization Threshold</u>	<u>Depreciation/ Amortization Method</u>	<u>Estimated Useful Life</u>
Land*	All	--	--
Land improvements	\$ 5,000	Straight-line	10-20 years
Buildings	\$ 5,000	Straight-line	50-75 years
Machinery and equipment	\$ 5,000	Straight-line	5-20 years
Intangible lease assets	\$ 45,000	Straight-line	5-75 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.

#### h. 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 bonds payable, capital outlay certificates, leases, energy efficiency loans, retirement payable and compensated absences.

## Wolsey-Wessington School District No. 2-6

Notes to the Financial Statements

June 30, 2022

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

In the fund financial statements, debt proceeds are reported as revenues (other financing sources) and payment 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.

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. Program revenues are classified into three categories, as follows:

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

j. Proprietary Funds Revenue and Expense Classifications:

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

k. Accumulated Unpaid Vacation and Sick Leave:

Annual leave is earned by the employees at the rate of ten days per year depending on position. Upon termination, employees are not entitled to receive compensation for their accrued annual leave balance.

Sick leave is earned by the employees at the rate of ten to twelve days per year depending on position. Upon termination, only tenured, certified, and non-certified, employees are entitled to receive \$10 per day for unused sick leave days if they leave the School District.

## Wolsey-Wessington School District No. 2-6

Notes to the Financial Statements

June 30, 2022

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

#### l. Unavailable Revenue:

Under the modified accrual basis of accounting, receivables, such as taxes receivable, 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. Reported unavailable revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

#### m. Cash and Cash Equivalents:

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

#### n. Equity Classifications:

Government-Wide Financial Statements:

Equity is classified as net position and is displayed in three components:

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between non-spendable, 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.

#### o. Application of Net Position:

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

**Wolsey-Wessington School District No. 2-6**

Notes to the Financial Statements

June 30, 2022

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

p. Fund Balance Classification Policies and Procedures:

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

Non-spendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the School Board.

Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

q. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## Wolsey-Wessington School District No. 2-6

Notes to the Financial Statements

June 30, 2022

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

#### r. Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pension, 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.

#### s. Leases:

The School District is a lessee for a noncancellable lease of a skid steer and copiers. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$45,000 or more.

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

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

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

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

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

## Wolsey-Wessington School District No. 2-6

Notes to the Financial Statements

June 30, 2022

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

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:

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-loan 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.

No investments were held as of June 30, 2022 or during the year then ended.

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 always maintain, 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.

Deposits are reported at cost plus interest; if the account is of the add-on type.

Interest Rate Risk – The School District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The District's policy is to credit all income from deposits and investments to the General Fund for all governmental funds except for Debt Service Fund which accumulates interest to help pay off the term bonds.

## Wolsey-Wessington School District No. 2-6

Notes to the Financial Statements

June 30, 2022

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

The United States generally accepted accounting principles, on the other hand, requires income from deposits and investments to be recorded in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

### 3. 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.

### 4. Due from Other Governments:

Receivables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Amounts due from other governments include reimbursements for various programs. These amounts include \$440,795 due from various individuals and county, state, and federal governments.

**Wolsey-Wessington School District No. 2-6**

Notes to the Financial Statements

June 30, 2022

**5. Changes in Capital Assets:**

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

	<u>Balance</u> <u>7/1/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2022</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated/amortized:				
Land	\$ 46,040	\$ --	\$ --	\$ 46,040
Total capital assets not being depreciated/amortized	<u>46,040</u>	<u>--</u>	<u>--</u>	<u>46,040</u>
Capital assets being depreciated/amortized:				
Buildings	8,686,266	--	--	8,686,266
Improvements	319,857	--	--	319,857
Equipment	1,281,212	127,454	--	1,408,666
Intangible lease assets - restated	18,982	89,672	--	108,654
Total capital assets being depreciated/amortized	<u>10,306,317</u>	<u>217,126</u>	<u>--</u>	<u>10,523,443</u>
Less accumulated depreciation/amortization for:				
Buildings	1,609,064	153,667	--	1,762,731
Improvements	192,252	11,204	--	203,456
Equipment	867,131	82,212	--	949,343
Intangible lease assets - restated	10,668	18,417	--	29,085
Total accumulated depreciation/amortization	<u>2,679,115</u>	<u>265,500</u>	<u>--</u>	<u>2,944,615</u>
Total capital assets being depreciated/amortized, net	<u>7,627,202</u>	<u>(48,374)</u>	<u>--</u>	<u>7,578,828</u>
Net Capital Assets	<u>\$ 7,673,242</u>	<u>\$ (48,374)</u>	<u>\$ --</u>	<u>\$ 7,624,868</u>

Depreciation/amortization expenses was charged to functions as follows:

Instruction	\$ 139,771
Support services	89,376
Co-curricular activities	<u>36,353</u>
Total Depreciation/Amortization Expense	<u>\$ 265,500</u>



**Wolsey-Wessington School District No. 2-6**

Notes to the Financial Statements

June 30, 2022

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

	<u>Balance</u> <u>7/1/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2022</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Equipment	\$ 66,832	\$ --	\$ --	\$ 66,832
Less: Accumulated Depreciation	39,584	3,406	--	42,990
Total capital assets being depreciated, net	<u>\$ 27,248</u>	<u>\$ (3,406)</u>	<u>\$ --</u>	<u>\$ 23,842</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	<u>\$ 3,406</u>

**6. Long-Term Liabilities:**

A summary of changes in long-term debt follows:

	<u>Balance</u> <u>7/1/2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>6/30/2022</u>	<u>Amounts</u> <u>Due Within</u> <u>1 Year</u>
<b>Governmental Activities:</b>					
Qualified zone construction bonds	\$ 3,090,000	\$ --	\$ --	\$ 3,090,000	\$ --
Limited tax capital outlay certificates	3,275,000	--	185,000	3,090,000	185,000
Plus: Unamortized Premiums	26,138	--	1,743	24,395	1,743
Energy efficiency loan	16,529	--	5,775	10,754	5,775
Energy efficiency conservation block grant	74,754	--	31,750	43,004	31,750
Leases - restated	7,700	89,672	18,010	79,362	21,166
Compensated Absences	12,712	4,925	7,850	9,787	1,000
Total Governmental Activities	<u>\$ 6,502,833</u>	<u>\$ 94,597</u>	<u>\$ 250,128</u>	<u>\$ 6,347,302</u>	<u>\$ 246,434</u>
 Business-type Activities:					
Compensated Absences	\$ 635	\$ 215	\$ 312	\$ 538	\$ --
Total Business-type	<u>\$ 635</u>	<u>\$ 215</u>	<u>\$ 312</u>	<u>\$ 538</u>	<u>\$ --</u>

Compensated absences for governmental activities typically have been liquidated from the General and Special Education Funds.

**Wolsey-Wessington School District No. 2-6**  
Notes to the Financial Statements  
June 30, 2022

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

Debt payable as of June 30, 2022 is comprised of the following:

	<b>Terms</b>	
Qualified School Construction Bonds	During December 2009, the School District entered into an agreement to receive Qualified School Construction Bonds in the amount of \$3,090,000. Interest rate is 2.0%. Final payment is December 2025. The Debt Service Fund makes payment on this debt.	<u>\$ 3,090,000</u>
Limited Tax Capital Outlay Certificates	The School District issued \$3,985,000 of limited tax capital outlay certificates, Series 2016. The certificates are payable December 15, 2017 through December 15, 2035 with fixed interest rates from .80% to 3.50% that vary depending on the term of maturity. The Capital Outlay Fund makes this payment.	<u>\$ 3,090,000</u>
Energy Efficiency School Loan	Starting July 1, 2013, the School District entered into a loan agreement with the South Dakota Energy Management Office in the amount of \$56,954. The School was able to purchase pre-approved energy efficient expenditures with the understanding that the School is required to track energy usage and cost savings information. There is no interest on this loan. Final payment is due July 1, 2022. The Capital Outlay Fund makes payments on this debt.	<u>\$ 10,754</u>
Energy Efficiency Conservation Block Grant Loan	Starting October 1, 2015, the School District entered into a loan agreement with South Dakota Energy Management Office in the amount of \$201,754. The School was able to purchase LED lighting with the understanding that the School is required to track energy usage and cost savings information. There is no interest on this loan. Final payment is due July 31, 2027. The Capital Outlay Fund makes payments on this debt.	<u>\$ 43,004</u>
Copier Lease	Starting Septmeber 21, 2021, the School District entered into a lease agreement with Access Systems in the amount of \$89,672. Imputed interest rate is 3%. Monthly payments of \$1,607. Final payment due August 21, 2026. The Capital Outlay Fund makes payments on this debt.	<u>\$ 75,455</u>
Skid Steer Lease	Starting August 13, 2018, the School District entered into a lease agreement with John Deere Financial in the amount of \$18,982. Imputed interest rate is 3%. Annual payments of \$4,024. Final payment due August 13, 2022. The Capital Outlay Fund makes payments on this debt.	<u>\$ 3,907</u>
Compensated Absences	Payable from the fund to which payroll expenditures are charged.	<u>\$ 9,787</u>

**Wolsey-Wessington School District No. 2-6**

Notes to the Financial Statements

June 30, 2022

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

The annual requirements to amortize the Qualified School Construction Bonds, the Limited Tax General Obligation Capital Outlay Certificates, Leases, and the Energy Efficiency Loans outstanding at June 30, 2022, are as follows:

	Quality School		Limited Tax General		Energy Efficiency Loans	
	Construction Bonds		Obligation			
	Principal	Interest	Capital Outlay Certificates	Principal	Interest	Principal
2023	\$ --	\$ 61,800	\$ 185,000	\$ 89,270	\$ 37,525	\$ --
2024	--	61,800	190,000	85,520	16,233	--
2025	3,090,000	30,900	190,000	80,770	--	--
2026	--	--	200,000	74,920	--	--
2027	--	--	205,000	68,845	--	--
2028-2032	--	--	1,110,000	255,110	--	--
2033-2036	--	--	1,010,000	71,501	--	--
Totals	<u>\$ 3,090,000</u>	<u>\$ 154,500</u>	<u>\$ 3,090,000</u>	<u>\$ 725,936</u>	<u>\$ 53,758</u>	<u>\$ --</u>

Leases		Total	
Principal	Interest	Principal	Interest
\$ 21,167	\$ 2,145	\$ 243,692	\$ 153,215
17,785	1,503	224,018	148,823
18,326	962	3,298,326	112,632
18,883	404	218,883	75,324
3,201	12	208,201	68,857
--	--	1,110,000	255,110
--	--	1,010,000	71,501
<u>\$ 79,362</u>	<u>\$ 5,026</u>	<u>\$ 6,313,120</u>	<u>\$ 885,462</u>

**Wolsey-Wessington School District No. 2-6**

Notes to the Financial Statements

June 30, 2022

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**7. Interfund Activity:**

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

Transfer from the Capital Outlay Fund to the Debt Service Fund to deposit money towards paying off the Qualified School Construction Bonds when their term is complete.	\$	199,355
Transfer from the General fund to the Food Service Fund to assist in covering costs of the school breakfast and lunch programs.	\$	15,000
Transfer from the General fund to the Other Enterprise Fund to assist in covering costs of the school's operations.	\$	15,000

**8. Restricted Net Position:**

The following table shows the net position restricted for other purposes as shown on the Statement of Net Position:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
<b>Major Purposes:</b>		
Capital Outlay	Law	\$ 3,147,337
Special Education	Law	844,474
Debt Service	Debt covenants	2,579,221
SDRS Pension Purposes	Law	338,654
Total		<u>\$ 6,909,686</u>

**9. Assigned Fund Balances for Cash Flow:**

As authorized by SDCL 13-11-12, the School Board has determined that a year-end minimum fund balance of \$150,000 is necessary to protect the School District's cash liquidity from July 1, through mid-November of the subsequent fiscal year. This amount is reported as Assigned Fund Balance in the General Fund.

## Wolsey-Wessington School District No. 2-6

### Notes to the Financial Statements

June 30, 2022

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#### 10. Pension Plan:

##### a. Plan Information:

All employees, working more than 20 hours per week during the 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 provide 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://www.sdrs.sd.gov/publications/> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605)773-3731.

##### b. Benefits Provided:

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

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

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

**Wolsey-Wessington School District No. 2-6**  
Notes to the Financial Statements  
June 30, 2022

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

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

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

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

c. Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2022, 2021, and 2020, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 141,962
2021	\$ 138,044
2020	\$ 131,848

**Wolsey-Wessington School District No. 2-6**

Notes to the Financial Statements

June 30, 2022

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

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

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

Proportionate share of pension liability	\$ 14,058,281
Less proportionate share of net pension restricted for pension benefits	<u>14,834,709</u>
Proportionate share of net pension (asset)	<u><u>\$ (776,428)</u></u>

As of June 30, 2022, the School District reported an (asset) of (776,428) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2021 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. As of June 30, 2021, the School District's proportion was .10138400%, which is an increase of .0012576% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District recognized reduction of pension expense of \$(206,536). As of June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 27,876	\$ 2,036
Changes in assumption	892,884	388,824
Net difference between projected and actual earnings on pension plan investments	--	1,109,143
Changes in proportion and difference between district contributions and proportionate share of contributions	109	602
District contributions subsequent to the measurement date	<u>141,962</u>	<u>--</u>
Total	<u><u>\$ 1,062,831</u></u>	<u><u>\$ 1,500,605</u></u>

## Wolsey-Wessington School District No. 2-6

Notes to the Financial Statements

June 30, 2022

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### 10. Pension Plan: (Continued)

\$141,962 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2023	\$ (142,870)
2024	(97,560)
2025	(27,284)
2026	(312,022)
2027	--
Thereafter	--
Total	<u>\$ (579,736)</u>

#### e. Actuarial Assumptions:

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

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

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

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



## Wolsey-Wessington School District No. 2-6

Notes to the Financial Statements

June 30, 2022

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### 10. Pension Plan: (Continued)

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

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

f. Discount Rate:

The discount rate used to measure the total pension liability 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).

## Wolsey-Wessington School District No. 2-6

Notes to the Financial Statements

June 30, 2022

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### 10. Pension Plan: (Continued)

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension (asset)	<u>\$ 1,257,230</u>	<u>\$ (776,428)</u>	<u>\$ (2,427,285)</u>

h. Pension Plan Fiduciary Net Position:

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

i. Payables to the Pension Plan:

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

### 11. Restricted Cash and Investment:

Assets are restricted for use for a specific purpose through segregation of balances in separate accounts. As of June 30, 2022, \$2,579,221 was restricted in the Debt Service Fund for sinking fund requirements in the debt covenants.

### 12. Risk Management:

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

Employee Health Insurance – The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage does not have a maximum payment per person.

Liability Insurance – The School District purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier.

## Wolsey-Wessington School District No. 2-6

Notes to the Financial Statements

June 30, 2022

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### 12. Risk Management: (Continued)

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

Workers' Compensation – The School District purchases liability insurance for workers' compensation from a commercial carrier.

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

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

During the year ended June 30, 2022, no unemployment benefits were paid.

### 13. Implementation of New Standard and Restatement:

As of June 30, 2022, the School District implemented GASB Statement No. 87, Leases, which requires the recognition of certain lease assets and liabilities that were previously classified as operating leases.

The School District restated the net position indicated below to appropriately reflect the July 1, 2021 balances as follows:

<b>Governmental Activities</b>			
	<b>As previously stated</b>	<b>Restatement - Implementation of GASB 87</b>	<b>As restated</b>
Net Position - June 30, 2021, as previously reported			\$ 8,032,415
Restatement - Implementation of GASB 87			614
Net Position - July 1, 2021, as restated			<u>\$ 8,033,029</u>
Intangible lease assets	\$ --	\$ 8,314	\$ 8,314
Lease liability	\$ --	\$ 7,700	\$ 7,700

**Wolsey-Wessington School District No. 2-6**  
Notes to the Financial Statements  
June 30, 2022

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**14. Deficit Fund Balances:**

As of June 30, 2022, the following individual nonmajor funds had deficit fund balances/net position in the amounts shown:

Other Enterprise Fund (preschool, PASS, and drivers' education)	\$5,477
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The Governing Board intends to transfer funds as needed.

**15. Subsequent Events:**

Management has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

## **Required Supplementary Information**

**Wolsey-Wessington School District No. 2-6**

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

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 998,691	\$ 998,691	\$ 1,036,194	\$ 37,503
Prior years' ad valorem taxes	10,000	10,000	23,854	13,854
Utility taxes	75,000	75,000	62,685	(12,315)
Penalties and interest on taxes	3,000	3,000	5,786	2,786
Earnings on Investments and Deposits	1,500	1,500	1,138	(362)
Cocurricular Activities:				
Admissions	17,000	17,000	19,217	2,217
Rentals	100	100	35	(65)
Other Revenue from Local Sources:				
Charges for services	15,000	15,000	8,720	(6,280)
Other	30,000	30,000	30,834	834
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	20,000	20,000	17,616	(2,384)
Revenue in lieu of taxes	--	--	7,187	7,187
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	1,437,636	1,437,636	1,401,775	(35,861)
Restricted grants-in-aid	--	--	5,728	5,728
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	182,242	182,242	272,609	90,367
Other Federal Revenue	--	--	18,101	18,101
Total Revenues	<u>\$ 2,790,169</u>	<u>\$ 2,790,169</u>	<u>\$ 2,911,479</u>	<u>\$ 121,310</u>

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

## Wolsey-Wessington School District No. 2-6

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary	\$ 629,469	\$ 654,469	\$ 649,415	\$ 5,054
Middle school	240,256	240,256	230,381	9,875
High school	609,298	614,298	611,999	2,299
Special Programs:				
Educationally Deprived	100,850	150,850	147,064	3,786
Support Services:				
Students:				
Guidance	104,430	104,430	101,671	2,759
Health	54,380	58,380	57,311	1,069
Instructional Staff:				
Improvement of instruction	1,750	56,750	52,296	4,454
Educational media	65,807	65,807	62,550	3,257
General Administration:				
Board of education	10,018	25,018	27,560	(2,542)
Executive administration	143,020	143,020	131,436	11,584
School Administration:				
Office of the principal	157,463	157,963	152,673	5,290
Other	--	--	779	(779)
Business:				
Fiscal services	109,074	114,074	112,675	1,399
Operation and maintenance of plant	517,484	517,484	429,515	87,969
Student transportation	160,862	160,862	157,573	3,289
Community Services:				
Custody and care of children	19,336	29,336	27,078	2,258
Nonprogrammed Charges:				
Payments to state - unemployment	--	--	--	--
Cocurricular Activities:				
Male activities	67,306	67,306	60,953	6,353
Female activities	49,690	49,690	45,734	3,956
Transportation	21,448	21,448	11,630	9,818
Combined activities	85,045	85,045	74,741	10,304
Total Expenditures	<u>3,146,986</u>	<u>3,316,486</u>	<u>3,145,034</u>	<u>171,452</u>
Excess of Revenue Over (Under) Expenditures	<u>(356,817)</u>	<u>(526,317)</u>	<u>(233,555)</u>	<u>292,762</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	289,880	289,880	--	(289,880)
Transfers out	(83,063)	(83,063)	(30,000)	53,063
Sale of surplus property	--	--	300	300
Total Other Financing Sources (Uses)	<u>206,817</u>	<u>206,817</u>	<u>(29,700)</u>	<u>(236,817)</u>
Net Change in Fund Balances	(150,000)	(319,500)	(263,255)	55,945
<b>Fund Balance, Beginning of Year</b>	<u>813,885</u>	<u>813,885</u>	<u>813,885</u>	<u>--</u>
<b>Fund Balance, End of Year</b>	<u>\$ 663,885</u>	<u>\$ 494,385</u>	<u>\$ 550,630</u>	<u>\$ 55,945</u>

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

## Wolsey-Wessington School District No. 2-6

### Required Supplementary Information – Budgetary Comparison Schedule – Capital Outlay – Budgetary Basis June 30, 2022

	<b>Budgeted Amounts</b>		<b>Actual Amounts Budgetary Basis</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,401,735	\$ 1,401,735	\$ 1,392,305	\$ (9,430)
Prior years' ad valorem taxes	2,000	2,000	29,905	27,905
Penalties and interest on taxes	500	500	7,148	6,648
Other Revenue From Local Sources:				
Other	--	--	31,629	31,629
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through state	--	--	2,562	2,562
Other Federal Revenue	--	--	22,100	22,100
Total Revenues	<u>1,404,235</u>	<u>1,404,235</u>	<u>1,485,649</u>	<u>81,414</u>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary	65,000	65,000	29,426	35,574
Middle school	65,000	65,000	46,332	18,668
High school	85,000	85,000	67,087	17,913
Special Programs:				
Programs for special education	--	2,000	1,403	597
Support Services:				
Instructional Staff:				
Educational media	5,000	5,000	2,202	2,798
General Administration:				
Executive administration	--	4,000	3,397	603
Business:				
Fiscal services	--	500	188	312
Operation and maintenance of plant	150,000	150,000	215,996	(65,996)
Student transportation	125,000	125,000	94,949	30,051
Food service	10,000	10,000	--	10,000
Debt Services	380,000	380,000	398,538	(18,538)
Cocurricular Activities:				
Male activities	10,000	11,000	10,541	459
Female activities	10,000	18,000	17,378	622
Combined activities	10,000	16,000	9,165	6,835
Total Expenditures	<u>915,000</u>	<u>936,500</u>	<u>896,602</u>	<u>39,898</u>
Excess of Revenue Over (Under) Expenditures	<u>489,235</u>	<u>467,735</u>	<u>589,047</u>	<u>121,312</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(489,235)	(489,235)	(199,355)	289,880
Proceeds of general long-term liabilities	--	--	89,672	89,672
Sale of surplus property	--	--	2,500	2,500
Total Other Financing Sources (Uses)	<u>(489,235)</u>	<u>(489,235)</u>	<u>(107,183)</u>	<u>382,052</u>
Net Change in Fund Balances	--	(21,500)	481,864	503,364
<b>Fund Balance - Beginning of Year</b>	<u>2,665,473</u>	<u>2,665,473</u>	<u>2,665,473</u>	<u>--</u>
<b>Fund Balance - End of Year</b>	<u>\$ 2,665,473</u>	<u>\$ 2,643,973</u>	<u>\$ 3,147,337</u>	<u>\$ 503,364</u>

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



**Wolsey-Wessington School District No. 2-6**

Required Supplementary Information – Budgetary Comparison Schedule – Special Education – Budgetary Basis  
June 30, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 840,000	\$ 840,000	\$ 865,752	\$ 25,752
Prior years' ad valorem taxes	500	500	19,471	18,971
Penalties and interest on taxes	450	450	4,634	4,184
Other Revenue from Local Sources:				
Charges for services	1,000	1,000	1,350	350
Other	50,000	50,000	54,042	4,042
Other State Revenue	--	--	1,205	1,205
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through state	80,039	80,039	94,308	14,269
Total Revenues	<u>971,989</u>	<u>971,989</u>	<u>1,040,762</u>	<u>68,773</u>
<b>Expenditures:</b>				
Instruction:				
Special Programs:				
Programs for special education	530,432	595,432	563,955	31,477
Support Services:				
Students:				
Attendance and social work	--	8,000	7,356	644
Guidance	50,661	50,661	44,950	5,711
Psychological	40,500	40,500	37,673	2,827
Speech pathology	181,884	183,384	182,801	583
Student therapy services	39,250	41,250	33,197	8,053
Special Education:				
Administrative costs	43,500	43,500	43,129	371
Transportation costs	3,000	5,000	1,650	3,350
Other special education costs	92,350	92,350	73,926	18,424
Total Expenditures	<u>981,577</u>	<u>1,060,077</u>	<u>988,637</u>	<u>71,440</u>
Net Change in Fund Balances	(9,588)	(88,088)	52,125	140,213
<b>Fund Balance - Beginning of Year</b>	<u>794,175</u>	<u>794,175</u>	<u>794,175</u>	<u>--</u>
<b>Fund Balance - End of Year</b>	<u>\$ 784,587</u>	<u>\$ 706,087</u>	<u>\$ 846,300</u>	<u>\$ 140,213</u>

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

**Wolsey-Wessington School District No. 2-6**  
Notes to the Required Supplementary Information  
June 30, 2022

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**Note 1 – Basis of Presentation:**

The Budgetary Comparison Schedules have been prepared on the modified accrual basis of accounting. The Budgetary Comparison Schedules present capital outlay expenditures within each function while the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds present capital outlay expenditures as a separate function.

**Note 2 – Budgets and Budgetary Accounting:**

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

1. 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.
2. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. 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.
6. 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 number (8).
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total 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.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets when monies are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school Board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds. Generally accepted accounting principles prescribe that budgetary information be presented for the General Fund and major special revenue funds of the District.

**Wolsey-Wessington School District No. 2-6**

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.1013840%	0.1001264%	0.0995990%	0.0995821%	0.0997435%	0.0934936%	0.0909451%	0.0798197%
District's proportionate share of net pension liability (asset)	\$ (776,428)	\$ (4,348)	\$ (10,555)	\$ (2,323)	\$ (9,052)	\$ 315,812	\$ (385,724)	\$ (575,068)
District's covered-employee payroll	\$ 2,300,728	\$ 2,197,473	\$ 2,117,886	\$ 2,086,441	\$ 2,012,681	\$ 1,762,175	\$ 1,660,399	\$ 1,395,825
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.75%	0.20%	0.50%	0.11%	0.45%	17.92%	23.23%	41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

\*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is June 30 of the previous fiscal year.

\*\* 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.

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

**Wolsey-Wessington School District No. 2-6**  
Schedule of the School District Contributions – South Dakota Retirement System

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 141,962	\$ 138,044	\$ 131,848	\$ 127,061	\$ 125,149	\$ 120,761	\$ 105,731	\$ 99,624
Contributions in relation to the contractually required contribution	<u>141,962</u>	<u>138,044</u>	<u>131,848</u>	<u>127,061</u>	<u>125,149</u>	<u>120,761</u>	<u>105,731</u>	<u>99,624</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 2,366,027	\$ 2,300,728	\$ 2,197,473	\$ 2,117,887	\$ 2,086,441	\$ 2,012,681	\$ 1,762,175	\$ 1,660,399
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

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

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

**Wolsey-Wessington School District No. 2-6**  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2022

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**Changes from Prior Valuation**

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

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

**Benefit Provision Changes**

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

**Actuarial Assumption Changes**

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

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

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

**Actuarial Method Changes**

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