

**WILLOW LAKE
SCHOOL DISTRICT NO 12-3**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2021

WILLOW LAKE SCHOOL DISTRICT NO 12-3
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2021

School Board

Randy Nelson

Julayne Thoreson

Jared Knock

Trav Bratland

Tia Felberg

Business Manager

Melissa Burke

Superintendent

Chris Lee

WILLOW LAKE SCHOOL DISTRICT 12-3
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QUAM, BERGLIN & POST P.C.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Willow Lake School District No. 12-3, Clark County, South Dakota, as of June 30, 2021 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.

Management's Responsibility for the Financial Statements

The Willow Lake School District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Willow Lake School District No. 12-3 as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules and the Pension Schedules, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, 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 March 28, 2022, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Quam, Berglin & Post P.C.

Quam, Berglin & Post P.C.
Certified Public Accountants

March 28, 2022

WILLOW LAKE SCHOOL DISTRICT NO. 12-3 MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Willow Lake School District 12-3's annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year ended on June 30, 2021. Please read it in conjunction with the school's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- During the year, the school's revenues generated from taxes and other revenues of the governmental and business-type programs was \$3,777,653.29 and the governmental and business-type program expenditures totaled \$3,471,129.58.
- The district has a \$500,000 opt-out in place, which began with 2016 taxes payable in calendar year 2017. The district did not utilize any opt-out dollars for calendar year 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the school's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the school government, reporting the school's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government 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 and Enterprise Fund.
 - Fiduciary fund statements provide information about the financial relationships - like scholarship plans for graduating students - in which the school acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

Figure A-1 summarizes the major features of the school's financial statements, including the portion of the school government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

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

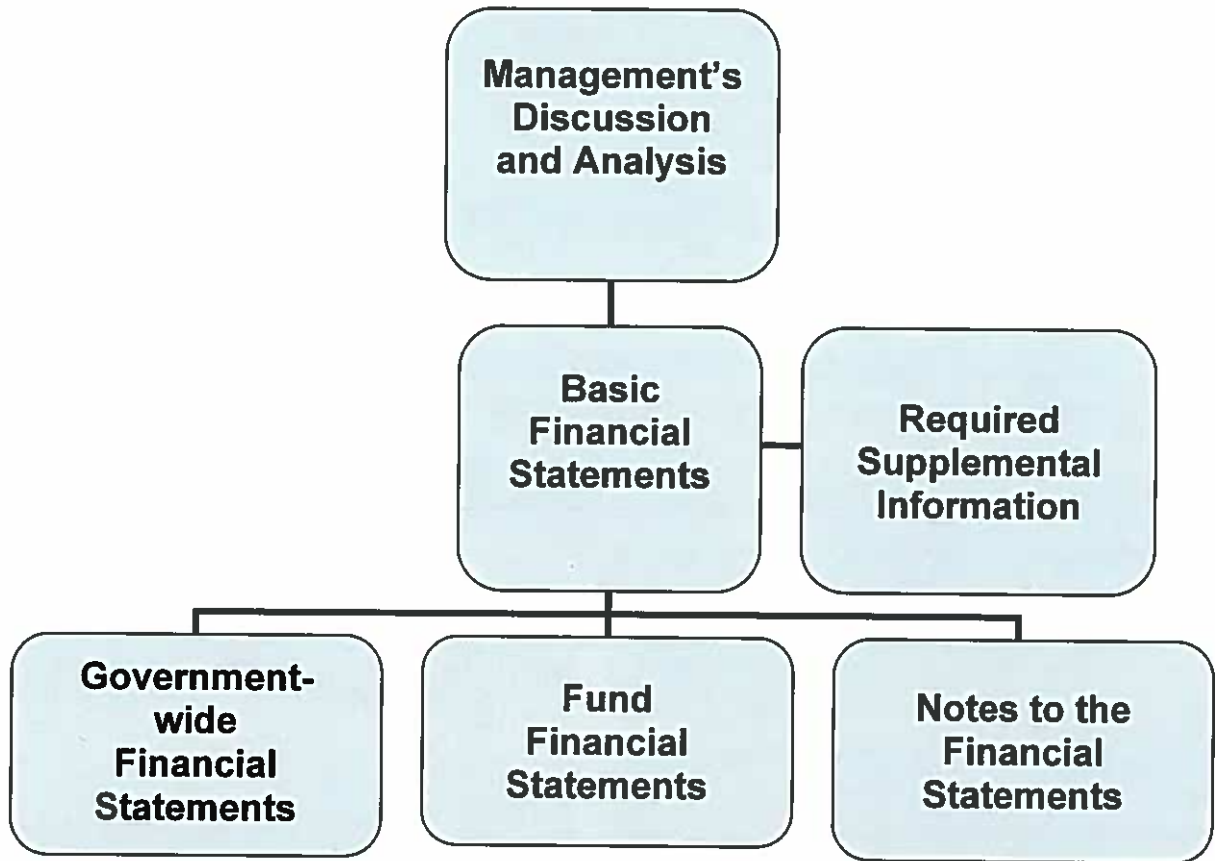


Figure A-2 summarizes the major features of the school's financial statements, including the portion of the school government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of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

FIGURE A-2

Major Features of Willow Lake School's Government-wide and Fund Financial Statements				
	Government-wide	Fund Statements		
	Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School government (except for fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs.	Activities the School operates similar to private businesses, the food service operation.	Instances in which the School is the trustee or agent for someone else's resources.
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows	*Statement of Net Position *Statement of Changes in Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

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 the 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 funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the school charges customers a fee is generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service and Enterprise Funds are proprietary funds maintained by the school.
- **Fiduciary Funds** – The School is the trustee, or fiduciary, for various external and internal parties. The school is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary 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.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The school's combined net position increased as follows:

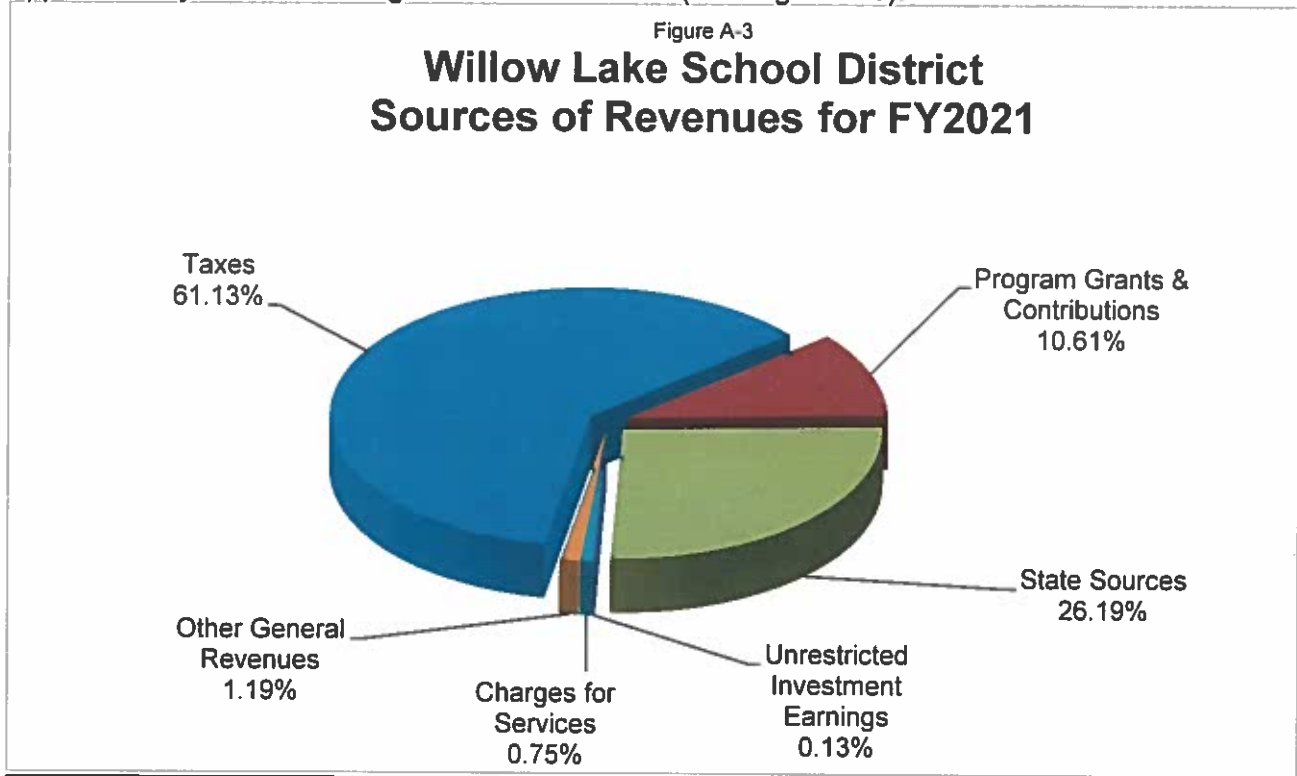
**TABLE A-1
WILLOW LAKE SCHOOL DISTRICT NO. 12-3
STATEMENT OF NET POSITION**

	Governmental Activities		Primary Government Business-Type Activities		Total	
	FY2020	FY2021	FY2020	FY2021	FY2020	FY2021
Current and Other Assets	\$ 3,053,921.11	\$ 3,205,111.71	\$ 13,631.17	\$ 23,320.09	\$ 3,067,552.28	\$ 3,228,431.80
Capital Assets	4,297,865.73	4,292,997.59	15,808.89	14,140.33	4,313,674.62	4,307,137.92
Total Assets	7,351,786.84	7,498,109.30	29,440.06	37,460.42	7,381,226.90	7,535,569.72
Deferred Outflows of Resources	373,650.29	553,210.27			373,650.29	553,210.27
Long-Term Debt Outstanding	3,010,424.34	2,700,317.00			3,010,424.34	2,700,317.00
Other Liabilities	277,761.95	278,873.41	4,028.32	4,341.80	281,790.27	283,215.21
Total Liabilities	3,288,186.29	2,979,190.41	4,028.32	4,341.80	3,292,214.61	2,983,532.21
Pension Related Deferred Inflows	148,325.29	474,725.24			148,325.29	474,725.24
Total Deferred Inflows of Resources	148,325.29	474,725.24			148,325.29	474,725.24
Net Position:						
Net Investment in Capital Assets	1,372,865.73	1,627,997.59	15,808.89	14,140.33	1,388,674.62	1,642,137.92
Restricted	1,573,548.00	1,670,225.61			1,573,548.00	1,670,225.61
Unrestricted	1,342,511.82	1,299,180.72	9,602.85	18,978.29	1,352,114.67	1,318,159.01
Total Net Position	4,288,925.55	4,597,403.92	25,411.74	33,118.62	4,314,337.29	4,630,522.54
Increase (Decrease) in Net Position	\$ 503.45	\$ 308,478.37	\$ (17,945.90)	\$ 7,706.88	\$ (17,442.45)	\$ 316,185.25
Beginning Net Position	4,288,422.10	4,288,925.55	43,357.64	25,411.74	4,331,779.74	4,314,337.29
Ending Net Position	\$ 4,288,925.55	\$ 4,597,403.92	\$ 25,411.74	\$ 33,118.62	\$ 4,314,337.29	\$ 4,630,522.54
Percentage of Increase (Decrease) in Net Position	0.01%	7.19%	-41.39%	30.33%	-0.40%	7.33%

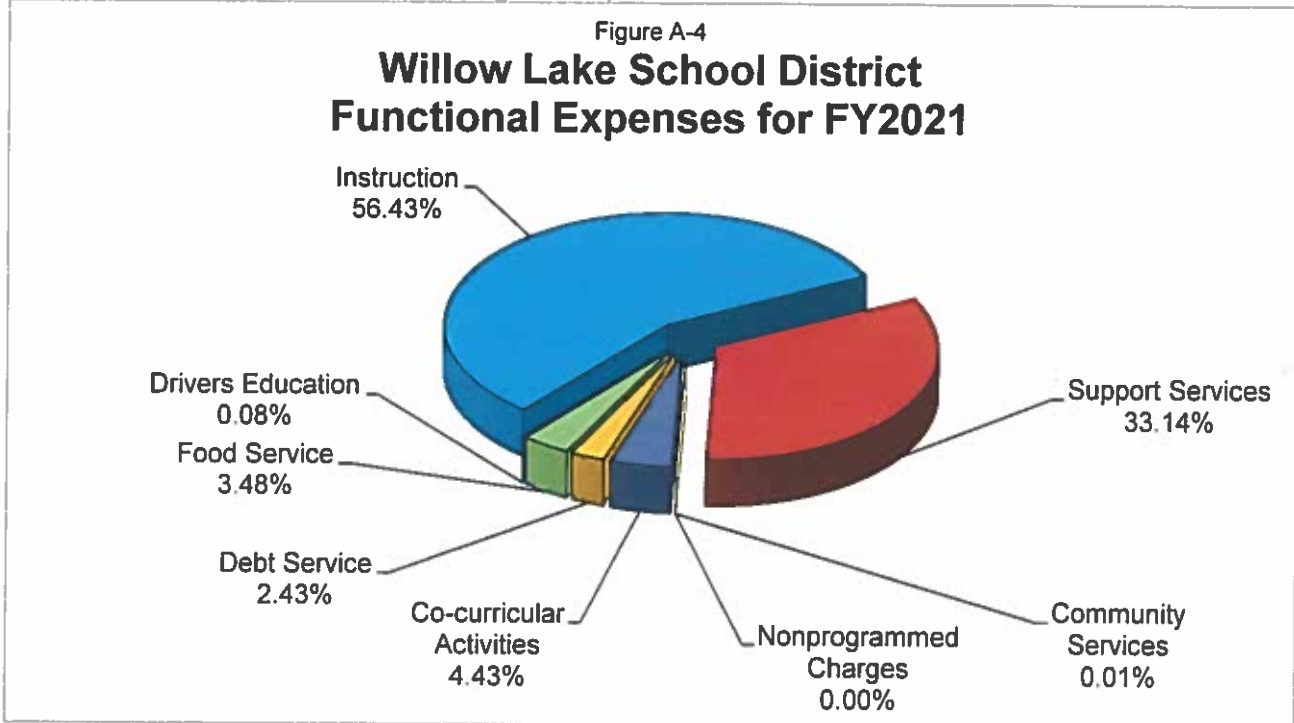
The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due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

Changes in Net Position

The school's total revenues (excluding special items) totaled \$3,777,653.29. (See Table A-2.) Approximately 61.13% of the school's revenue comes from property and other taxes, with approximately 26.19% coming from state sources. (See Figure A-3).



The Willow Lake School's total expenses were \$3,471,129.58. The school's expenses cover a range of services, with instruction at 56.43%, support services at 33.14% and food services at 3.48%. Debt services, co-curricular activities, non-programmed charges and community services make up 6.95% of expenses. (See Figure A-4)



GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Table A-2 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the school.

TABLE A-2
WILLOW LAKE SCHOOL DISTRICT 12-3
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	FY2020	FY2021	FY2020	FY2021	FY2020	FY2021
Revenues						
Program Revenues						
Charges for Services	\$ 97,352.63	\$ 5,951.00	\$ 48,082.55	\$ 22,514.44	\$ 145,435.18	\$ 28,465.44
Operating Grants and Contributions	88,870.50	302,747.07	53,135.66	98,229.27	142,006.16	400,976.34
General Revenues						
Taxes	2,099,974.73	2,309,096.99			2,099,974.73	2,309,096.99
Revenue State Sources	1,004,280.48	989,366.42			1,004,280.48	989,366.42
Other General Revenue	26,525.07	44,950.71			26,525.07	44,950.71
Unrestricted Investment Earnings	8,253.48	4,788.61	51.68	8.78	8,305.16	4,797.39
Total Revenues	\$ 3,325,256.89	\$ 3,656,900.80	\$ 101,269.89	\$ 120,752.49	\$ 3,426,526.78	\$ 3,777,653.29
Expenses						
Instruction	\$ 2,035,081.37	\$ 1,958,566.87			\$ 2,035,081.37	\$ 1,958,566.87
Support Services	1,071,510.76	1,150,231.09			1,071,510.76	1,150,231.09
Community Services	519.00	475.75			519.00	475.75
Debt Services	87,867.48	84,367.47			87,867.48	84,367.47
Cocurricular Activities	129,774.83	153,942.79			129,774.83	153,942.79
Food Service			116,915.85	120,648.56	116,915.85	120,648.56
Drivers Education			2,299.94	2,897.05	2,299.94	2,897.05
Total Expenses	\$ 3,324,753.44	\$ 3,347,583.97	\$ 119,215.79	\$ 123,545.61	\$ 3,443,969.23	\$ 3,471,129.58
Excess (Deficiency) Before Transfers Out						
		(10,500.00)		10,500.00		
Increase (Decrease) in Net Position	\$ 503.45	\$ 298,816.83	\$ (17,945.90)	\$ 7,706.88	\$ (17,442.45)	\$ 306,523.71
GASB 84		9,661.54				9,661.54
NET POSITION - ENDING	\$ 4,288,925.55	\$ 4,597,403.92	\$ 25,411.74	\$ 33,118.62	\$ 4,314,337.29	\$ 4,630,522.54

GOVERNMENTAL ACTIVITIES

Governmental activities did show a minor increase in expenditures in FY 2021, due to staff raises; changes in teaching/staff assignments; bonuses paid out in FY 2021, and an increase in supplies and equipment purchases for cocurricular activities. The district did not have any early retirements in the 2020-2021 school year.

BUSINESS-TYPE ACTIVITIES

The Willow Lake School District had an increase in net position from -\$17,945.90 in FY 2020 to \$7,706.88 in FY 2021. Due to the school district participating in the USDA SSO meal program (free student meals), the district seen a notable increase in federal revenues received in FY 2021. The school district continued to charge for adult meals and extra milk. The price for an adult meal was \$3.85/meal in FY 2021, compared to \$3.65/meal in FY 2020. The district has charges

\$.50/extra milk for several years. There was an increase in expenditures from \$116,915.85 in FY 2020 to \$120,648.56 in FY 2021. There were no major improvements in the 2020-2021 school year. In FY 2021, the district was able to offer driver's education to district students. If space was available, students outside of the district were allowed to enroll into the program.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The General Fund ended the fiscal year at \$941,686.14, a decrease of \$81,509.59 from FY 2020. Also, the district's general fund cash on hand for FY 2021 was at 25%. The Capital Outlay Fund had an increase in fund balance from \$795,453.44 in FY 2020 to \$908,294.03 in FY 2021. The district requested \$645,438 in capital outlay dollars, from taxes 20 payable in 21. The district utilized \$50,000 of monies received in capital outlay to help offset general fund expenditures. The Special Education Fund had an increase \$65,633.56 in fund balance from FY 2020. The levy for Special Education increased by \$.05 from \$.75/thousand for taxes 19 payable in 20 to \$.80/thousand for taxes 20 payable in 21.

GENERAL FUND BUDGETARY HIGHLIGHTS

Enrollment increased in FY 2021 by ten students from the FY 2020 year. Due to previous year fund balance, the district did not utilize the \$500,000 opt-out. The district also reviewed cash flows monthly, watching revenues and expenditures closely, to ensure that the general fund cash balance on hand was less than 30%.

CAPITAL ASSET ADMINISTRATION

By the end of 2021, the school had invested \$6,368,111 in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-3.) This amount represents an increase of \$196,571 (including additions and deductions) or a 3.0% percent increase, over last year due to the addition of fixed assets.

Table A-3
WILLOW LAKE SCHOOL DISTRICT 12-3 - Capital Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>FY2020</u>	<u>FY2021</u>	<u>FY2020</u>	<u>FY2021</u>	<u>FY2020</u>	<u>FY2021</u>
Land	\$ 5,800	\$ 5,800			\$ 5,800	\$ 5,800
Buildings	5,001,963	5,001,963			5,001,963	5,001,963
Improvements other than Building	97,143	203,183			97,143	203,183
Machinery and Equipment	899,783	1,003,726	61,118	47,706	960,901	1,051,432
Library Books	105,733	105,733			105,733	105,733
Total Capital Assets	<u>\$ 6,110,422</u>	<u>\$ 6,320,405</u>	<u>\$ 61,118</u>	<u>\$ 47,706</u>	<u>\$6,171,540</u>	<u>\$6,368,111</u>
Accumulated Depreciation	<u>(1,812,556)</u>	<u>(2,027,407)</u>	<u>(45,309)</u>	<u>(33,366)</u>	<u>(1,857,865)</u>	<u>(2,060,773)</u>
Ending Book Value	<u>\$ 4,297,866</u>	<u>\$ 4,292,998</u>	<u>\$ 15,809</u>	<u>\$ 14,340</u>	<u>\$4,313,675</u>	<u>\$4,307,338</u>

Some of this year's major capital asset purchases were active-panels (3), a 65-passenger bus, 12-unit HVAC ventilators for the elementary wing, along with a gas range and a fire alarm system for the old gym area of the school.

LONG-TERM DEBT

The Willow Lake School District had \$2,675,802.52 in Capital Financing Leases and Capital Outlay Certificates. It has \$24,514.48 in other long-term obligations. This is a decrease of 10.30% as shown on Table A-4 below.

**Table A-4
WILLOW LAKE SCHOOL DISTRICT 12-3
Outstanding Debt and Obligations**

	Governmental Activities		Total
	FY2020	FY2021	% Change
Capital Financing Lease	\$ 44,662.34	\$ 10,802.52	-75.81%
Capital Outlay Certificates	2,925,000.00	2,665,000.00	-8.89%
Early Retirement Payable	36,456.00	19,864.00	-45.51%
Compensated Absences	4,306.00	4,650.48	8.00%
Total Long-Term Liabilities	\$ 3,010,424.34	\$2,700,317.00	
 Net Increase (Decrease)			-10.30%

The school is liable for the accrued sick leave payable to the superintendent, principal, business manager and certified employees.

The school also had an early retirement plan, which allowed those meeting certain qualifications to retire early and to receive a certain percent of the base salary over five years. FY 2018 was the last year in which an employee could early retire from the Willow Lake School District's early retirement plan. However, one current staff member has been grandfathered in and upon their retirement, they will be the last employee to utilize the plan. Beginning with FY 2019, the school district implemented a loyalty payment plan. This plan pays certified employees a loyalty bonus beginning with their 20th consecutive year with the district and every 5 years thereafter.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

One of the primary sources of revenue to the school is state aid monies received from the State of South Dakota. The district utilizes the Estimate of General State Aid Need spreadsheet for figuring state aid monies. The calculation is based off the September fall enrollment number and eligible LEP students. The FY 2021 accountability calculator was based off a target certified instructional staff salary of \$51,367.47, multiplied by 29% for benefits, for the target dollar amount in salary and benefits equaling \$66,264.04. The Willow Lake School District will base our next year's budgets on tax valuations and state aid.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

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

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
ASSETS:			
Cash and Cash Equivalents	\$ 1,825,940.12	\$ 20,400.33	\$1,846,340.45
Investments-Certificates of Deposit	165,000.00		165,000.00
Taxes Receivable	830,113.38		830,113.38
Accounts Receivable		524.35	524.35
Due from Other Governments	355,178.28		355,178.28
Prepaid Expenses	25,428.00		25,428.00
Inventories		2,395.41	2,395.41
Net Pension Asset	3,451.93		3,451.93
Capital Assets:			
Land	5,800.00		5,800.00
Other Capital Assets, Net of Depreciation	4,287,197.59	14,140.33	4,301,337.92
TOTAL ASSETS	<u>7,498,109.30</u>	<u>37,460.42</u>	<u>7,535,569.72</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Purposes	553,210.27		553,210.27
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>553,210.27</u>		<u>553,210.27</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
	<u>8,051,319.57</u>	<u>37,460.42</u>	<u>8,088,779.99</u>
LIABILITIES :			
Accounts Payable	155.94		155.94
Accrued Salaries and Benefits Payable	278,717.47	681.15	279,398.62
Unearned Revenue		3,660.65	3,660.65
Noncurrent Liabilities:			
Due Within One Year	182,658.50		182,658.50
Due in More than One Year	2,517,658.50		2,517,658.50
TOTAL LIABILITIES	<u>2,979,190.41</u>	<u>4,341.80</u>	<u>2,983,532.21</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension Purposes	474,725.24		474,725.24
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>474,725.24</u>		<u>474,725.24</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
	<u>3,453,915.65</u>	<u>4,341.80</u>	<u>3,458,257.45</u>
NET POSITION:			
Net Investment in Capital Assets	1,627,997.59	14,140.33	1,642,137.92
Restricted for:			
Capital Outlay	1,171,169.21		1,171,169.21
Special Education	391,691.44		391,691.44
Health Insurance Purposes	25,428.00		25,428.00
SDRS Pension Purposes	81,936.96		81,936.96
Unrestricted	1,299,180.72	18,978.29	1,318,159.01
TOTAL NET POSITION	<u>\$ 4,597,403.92</u>	<u>\$ 33,118.62</u>	<u>\$ 4,630,522.54</u>

The notes to the financial statements are an integral part of this statement.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

<u>Functions/Programs</u>	Net (Expense) Revenue and Changes in Net Position				
	Program Revenues			Primary Government	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ 1,958,566.87		\$ 302,747.07	\$ (1,655,819.80)	\$ (1,655,819.80)
Support Services	1,150,231.09			(1,150,231.09)	(1,150,231.09)
Community Services	475.75			(475.75)	(475.75)
*Interest on Long-term Debt	84,367.47			(84,367.47)	(84,367.47)
Cocurricular Activities	153,942.79	5,951.00		(147,991.79)	(147,991.79)
Total Governmental Activities	3,347,583.97	5,951.00	302,747.07	(3,038,885.90)	(3,038,885.90)
Business-type Activities:					
Food Service	120,648.56	9,862.85		(12,556.44)	(12,556.44)
Drivers Education	2,897.05	12,651.59	98,229.27	9,754.54	9,754.54
Total Business-type Activities	123,545.61	22,514.44	98,229.27	(2,801.90)	(2,801.90)
Total Primary Government	\$ 3,471,129.58	\$ 28,465.44	\$ 400,976.34	(3,038,885.90)	(3,041,687.80)

General Revenues:					
Taxes:					
Property Taxes				1,983,371.56	1,983,371.56
Utility Taxes				325,725.43	325,725.43
Revenue from State Sources:					
State Aid				989,366.42	989,366.42
Unrestricted Investment Earnings				8.78	4,797.39
Other General Revenues				44,950.71	44,950.71
Transfers			(10,500.00)	10,500.00	
Total General Revenues			3,337,702.73	10,508.78	3,348,211.51
Change in Net Position			298,816.83	7,706.88	306,523.71
Net Position-Beginning				4,288,925.55	4,314,337.29
Implementation of GASB 84 - Restatement				9,661.54	9,661.54
Adjusted Beginning Net Position				4,298,587.09	4,323,998.83
NET POSITION - ENDING			\$ 4,597,403.92	\$ 33,118.62	\$ 4,630,522.54

*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 notes to the financial statements are an integral part of this statement.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$ 827,750.97	\$ 722,396.53	\$ 275,792.62	\$ 1,825,940.12
Investments-Certificates of Deposit		165,000.00		165,000.00
Taxes Receivable--Current	405,256.07	272,466.71	148,390.86	826,113.64
Taxes Receivable--Delinquent	2,180.99	1,210.99	607.76	3,999.74
Due from Other Governments	334,280.78	20,897.50		355,178.28
Prepaid Deposits	25,428.00			25,428.00
TOTAL ASSETS	\$ 1,594,896.81	\$ 1,181,971.73	\$ 424,791.24	\$ 3,201,659.78
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 155.94	\$	\$	\$ 155.94
Contracts Payable	191,618.00		24,459.60	216,077.60
Payroll Deductions and Withholdings and employer Matching Payable	53,999.67		8,640.20	62,639.87
Total Liabilities	245,773.61		33,099.80	278,873.41
Deferred Inflows of Resources:				
Unavailable Revenue-Property Taxes	407,437.06	273,677.70	148,998.62	830,113.38
Total Deferred Inflows of Resources	407,437.06	273,677.70	148,998.62	830,113.38
Fund Balances:				
Nonspendable	25,428.00			25,428.00
Restricted		908,294.03	242,692.82	1,150,986.85
Assigned	174,204.00			174,204.00
Unassigned	742,054.14			742,054.14
Total Fund Balances	941,686.14	908,294.03	242,692.82	2,092,672.99
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:	\$ 1,594,896.81	\$ 1,181,971.73	\$ 424,791.24	\$ 3,201,659.78

The notes to the financial statements are an integral part of this statement.

**WILLOW LAKE SCHOOL DISTRICT NO. 12-3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Total Fund Balances - Governmental Funds		\$ 2,092,672.99
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
The cost of the assets is:	\$ 6,320,405.04	
The accumulated depreciation is:	<u>(2,027,407.45)</u>	4,292,997.59
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:</p>		
Capital Outlay Certificates	(2,665,000.00)	
Capital Leases Payable	(10,802.52)	
Compensated Absences	(4,650.48)	
Early Retirement Benefits Payable	<u>(19,864.00)</u>	(2,700,317.00)
<p>Net Pension Asset Reported in governmental activities is not an available financial resource and therefore is not reported in the funds.</p>		
		3,451.93
<p>Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.</p>		
		553,210.27
<p>Pension related deferred inflows are components of pension liabilities and therefore are not reported in the funds.</p>		
		(474,725.24)
<p>Assets such as taxes receivable are not available to pay for current period expenditures and therefore are deferred in the funds.</p>		
		<u>830,113.38</u>
Net Position - Governmental Funds		<u>\$ 4,597,403.92</u>

The notes to the financial statements are an integral part of this statement.

**WILLOW LAKE SCHOOL DISTRICT NO. 12-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 924,058.99	\$ 646,114.29	\$ 344,653.41	\$ 1,914,826.69
Prior Years' Ad Valorem Taxes	4,169.29	3,296.44	1,579.92	9,045.65
Utility Taxes	325,725.43			325,725.43
Penalties and Interest on Taxes	1,314.55	1,020.66	507.45	2,842.66
Earnings on Investments and Deposits	806.25	3,809.44	172.92	4,788.61
Cocurricular Activities:				
Admissions	5,951.00			5,951.00
Other Revenue from Local Sources:				
Contributions and Donations	6,830.29	3,600.00		10,430.29
Charge for Services	5,353.32		1,702.16	7,055.48
Other	2,155.30	300.00		2,455.30
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	10,266.62			10,266.62
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	989,366.42			989,366.42
Restricted Grants-in-Aid	400.00		100.00	500.00
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received from Federal Government Through State	28,893.00	105,656.00	4,046.00	138,595.00
Restricted Grants-in-Aid Received from Federal Government Through the State	124,601.59	30,291.00	1,704.00	156,596.59
Other Federal Revenue	20,897.50	20,897.50		20,897.50
Total Revenue	<u>2,429,892.05</u>	<u>814,985.33</u>	<u>354,465.86</u>	<u>3,599,343.24</u>

Expenditures:				
Instruction:				
Regular Programs:		40,624.61		843,923.56
Elementary	803,298.95			182,422.07
Middle/Junior High	182,422.07			510,487.51
High School	449,932.47	60,555.04		16,586.10
Other Regular programs	16,586.10			
Special Programs:			207,798.30	207,798.30
Programs for Special Education				68,929.75
Programs for Educationally Deprived	68,929.75			
Support Services:				
Pupils:				
Guidance	27,614.63		222.51	27,837.14
Health			55,949.88	55,949.88
Psychology			7,259.25	7,259.25
Speech Pathology			10,103.60	10,103.60
Student Therapy Services			6,952.10	6,952.10
Support Services - Instructional Staff:				
Improvement of Instruction	15,463.76			15,463.76
Educational Media	138,914.66			138,914.66
Support Services - General Administration:			457.62	64,857.09
Board of Education	64,399.47			159,767.27
Executive Administration	159,767.27			
Support Services - School Administration:				
Office of the Principal	74,807.06			74,807.06
Other	656.97			656.97
Support Services - Business:				
Fiscal Services	85,225.42	5,394.00		90,619.42
Facilities Acquisition and Construction		77,823.02		77,823.02
Operation and Maintenance of Plant	222,914.38	4,780.88		227,695.26
Pupil Transportation	125,950.10	2,000.00		127,950.10
Food Services	5,405.15	1,668.56		7,073.71
Support Services - Central:				
Purchased Services	827.00			827.00
Support Services - Special Education:				
Transportation Costs			89.04	89.04

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Support Services - Central:				
Staff Services	475.75			475.75
Nonprogrammed Charges				
Early Retirement Payments	16,592.00	283,227.29		16,592.00
Debt Services				283,227.29
Cocurricular Activities:				
Male Activities	44,285.35	13,092.25		57,377.60
Female Activities	35,291.59	5,401.15		40,692.74
Transportation	19,526.95			19,526.95
Combined Activities	3,201.33			3,201.33
Capital Outlay		217,116.99		217,116.99
Total Expenditures	2,562,488.18	711,683.79	288,832.30	3,563,004.27
Excess of Revenue Over (Under)				
Expenditures	(132,596.13)	103,301.54	65,633.56	36,338.97
Other Financing Sources:				
Transfer In	50,000.00			50,000.00
Transfer (Out)	(10,500.00)	(50,000.00)		(60,500.00)
Sale of Surplus Property	1,925.00			1,925.00
Premium on Refunding Debt		154,539.05		154,539.05
Refunding Capital Outlay Certificates		2,665,000.00		2,665,000.00
Payment to Refunded Debt Escrow		(2,760,000.00)		(2,760,000.00)
Total Other Financing Sources (Uses)	41,425.00	9,539.05		50,964.05
Net Change in Fund Balances	(91,171.13)	112,840.59	65,633.56	87,303.02
Fund Balance Beginning	1,023,195.73	795,453.44	177,059.26	1,995,708.43
Implementation of GASB 84 - Restatement	9,661.54			9,661.54
Fund Balance Beginning - As Adjusted	1,032,857.27			2,005,369.97
FUND BALANCE - ENDING	\$ 941,686.14	\$ 908,294.03	\$ 242,692.82	\$ 2,092,672.99

The notes to the financial statements are an integral part of this statement.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
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, 2021

Net Change in Fund Balances - Total Governmental Funds \$ 87,303.02

Amounts reported for governmental activities in the statement of activities are 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 expense exceeds capital outlays expense during this period.

Capital Outlays	\$ 217,116.99	
Depreciation Expense	<u>(220,961.13)</u>	(3,844.14)

The issuance of long-term debt is an other financing source in the fund statements but an increase in long term liabilities on the government wide statements. (2,665,000.00)

In the statement of activities, gain and losses on disposal of capital assets are reported, whereas in the governmental funds, the loss from the disposal of capital assets is not (1,024.00)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of the repayments. 2,958,859.82

Governmental funds do not reflect the change in accrued expenditures, but the statement of activities reflects the change in expenditures.

Accrued Leave Payable	(344.48)	
Early Retirement Payable	<u>16,592.00</u>	16,247.52

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. (150,381.95)

In both the government-wide and fund financial statements, revenues from property tax levies and are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria". 56,656.56

Change in Net Position of Governmental Activities \$ 298,816.83

The notes to the financial statements are an integral part of this statement.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 10,640.86	\$ 9,759.47	\$ 20,400.33
Accounts Receivable	524.35		524.35
Inventory of Supplies	696.05		696.05
Inventory of Stores Purchased for Resale	1,553.25		1,553.25
Inventory of Donated Food	146.11		146.11
Total Current Assets	<u>13,560.62</u>	<u>9,759.47</u>	<u>23,320.09</u>
Capital Assets:			
Machinery and Equipment	47,706.28		47,706.28
Less: Accumulated Depreciation	<u>(33,565.95)</u>		<u>(33,565.95)</u>
Total Noncurrent Assets	<u>14,140.33</u>		<u>14,140.33</u>
TOTAL ASSETS	<u>27,700.95</u>	<u>9,759.47</u>	<u>37,460.42</u>
LIABILITIES:			
Current Liabilities:			
Payroll Deductions and Withholdings and Employer Matching Payable	681.15		681.15
Unearned Revenue	<u>3,660.65</u>		<u>3,660.65</u>
Total Current Liabilities	<u>4,341.80</u>		<u>4,341.80</u>
NET POSITION:			
Net Investment in Capital Assets	14,140.33		14,140.33
Unrestricted Net Position	<u>9,218.82</u>	<u>9,759.47</u>	<u>18,978.29</u>
Total Net Position	<u>\$ 23,359.15</u>	<u>\$ 9,759.47</u>	<u>\$ 33,118.62</u>

The notes to the financial statements are an integral part of this statement.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Enterprise Funds</u>		
	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
Operating Revenue:			
Sales:			
To Pupils	\$ 2,914.20	\$	\$ 2,914.20
To Adults	6,948.65		6,948.65
Other Miscellaneous Revenue		12,651.59	12,651.59
Total Operating Revenue	<u>9,862.85</u>	<u>12,651.59</u>	<u>22,514.44</u>
Operating Expenses:			
Food Service:			
Salaries	34,044.00	2,600.00	36,644.00
Employee Benefits	19,896.30	198.90	20,095.20
Purchased Services	2,861.38		2,861.38
Supplies	5,543.39	98.15	5,641.54
Cost of Sales-Purchased Food	52,638.30		52,638.30
Cost of Sales-Donated Food	3,303.03		3,303.03
Miscellaneous	693.60		693.60
Depreciation	1,668.56		1,668.56
Total Operating Expenses	<u>120,648.56</u>	<u>2,897.05</u>	<u>123,545.61</u>
Operating Income (Loss)	<u>(110,785.71)</u>	<u>9,754.54</u>	<u>(101,031.17)</u>
Nonoperating Revenue (Expense):			
Local Sources:			
Investment Earnings	8.78		8.78
State Sources:			
Other Cash Payments	504.63		504.63
Federal Sources:			
Other Grants Through State	3,806.00		3,806.00
Cash Reimbursements	90,934.14		90,934.14
Donated Food	2,984.50		2,984.50
Total Nonoperating Revenue (Expense)	<u>98,238.05</u>		<u>98,238.05</u>
Income Before Contributions and Transfers	(12,547.66)	9,754.54	(2,793.12)
Transfers In	<u>10,500.00</u>		<u>10,500.00</u>
Change in Net Position	(2,047.66)	9,754.54	7,706.88
Beginning Net Position	<u>25,406.81</u>	<u>4.93</u>	<u>25,411.74</u>
NET POSITION - ENDING	<u>\$ 23,359.15</u>	<u>\$ 9,759.47</u>	<u>\$ 33,118.62</u>

The notes to the financial statements are an integral part of this statement.

**WILLOW LAKE SCHOOL DISTRICT NO. 12-3
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 12,454.95	\$ 12,651.59	\$ 25,106.54
Payments to Suppliers	(61,624.66)	(98.15)	(61,722.81)
Payments to Employees	<u>(55,857.27)</u>	<u>(2,798.90)</u>	<u>(58,656.17)</u>
Net Cash Provided (Used) by Operating Activities	<u>(105,026.98)</u>	<u>9,754.54</u>	<u>(95,272.44)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers	10,500.00		10,500.00
Operating Subsidies	<u>95,244.77</u>		<u>95,244.77</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>105,744.77</u>		<u>105,744.77</u>
Cash Flows from Investing Activities:			
Interest Received	<u>8.78</u>		<u>8.78</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 726.57</u>	<u>\$ 9,754.54</u>	<u>\$ 10,481.11</u>
Cash and Cash Equivalents at Beginning of Year	\$ 9,914.29	\$ 4.93	9,919.22
Cash and Cash Equivalents at End of Year	<u>10,640.86</u>	<u>9,759.47</u>	<u>20,400.33</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 726.57</u>	<u>\$ 9,754.54</u>	<u>\$ 10,481.11</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (110,785.71)	\$ 9,754.54	\$ (101,031.17)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	1,668.56		1,668.56
Value of Commodities Used	3,303.03		3,303.03
Change in Assets and Liabilities:			
Accounts Receivable	361.65		361.65
Inventories	112.01		112.01
Accrued Wages Payable	(1,916.97)		(1,916.97)
Unearned Revenue	<u>2,230.45</u>		<u>2,230.45</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (105,026.98)</u>	<u>\$ 9,754.54</u>	<u>\$ (95,272.44)</u>
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	\$ 2,984.50		

The notes to the financial statements are an integral part of this statement.

**WILLOW LAKE SCHOOL DISTRICT NO. 12-3
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021**

	Private- Purpose Trust Funds	Custodial Funds
ASSETS:		
Cash and Cash Equivalents	\$	\$ 36,831.88
Investments-Certificates of Deposit	<u>32,114.34</u>	<u> </u>
TOTAL ASSETS	<u>\$ 32,114.34</u>	<u>\$ 36,831.88</u>
LIABILITIES:		
No Liabilities	<u> </u>	<u> </u>
Total Liabilities	<u> </u>	<u> </u>
NET POSITION:		
Restricted:		
Student Activities		36,831.88
Held in Trust	<u>32,114.34</u>	<u> </u>
Total Net Position	<u>\$ 32,114.34</u>	<u>\$ 36,831.88</u>

The notes to the financial statements are an integral part of this statement.

**WILLOW LAKE SCHOOL DISTRICT NO. 12-3
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS:		
Interest Earned	\$ 118.92	\$
Student Activities		<u>72,407.88</u>
Total Additions	<u>118.92</u>	<u>72,407.88</u>
 DEDUCTIONS:		
Student Activities	<u>0.00</u>	<u>101,155.09</u>
Total Deductions	<u>0.00</u>	<u>101,155.09</u>
Change in Net Position	<u>118.92</u>	<u>(28,747.21)</u>
Net Position - Beginning	31,995.42	0.00
Implementation of GASB 84 - Restatement		<u>65,579.09</u>
Net Position - Adjusted Beginning	<u>31,995.42</u>	<u>65,579.09</u>
 NET POSITION - ENDING	 <u><u>\$ 32,114.34</u></u>	 <u><u>\$ 36,831.88</u></u>

The notes to the financial statements are an integral part of this statement.

**WILLOW LAKE SCHOOL DISTRICT NO. 12-3
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity

The reporting entity of Willow Lake School District No. 12-3, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The School District participates in a cooperative service unit with several other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit but are discussed in these notes because of the nature of their relationship with the School District.

b. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Position reports all financial and capital resources, in a net position form (assets and deferred outflows of resources minus liabilities and deferred inflows of resources equal net position). Net position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or 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 considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures/expenses. Funds are organized into three major

categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

1. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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 capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

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

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

Special Education Fund - A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the School District. This fund is financed by grants and property taxes. 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 or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met.

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

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

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

Fiduciary Funds:

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

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

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

c. Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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 Willow Lake School District No. 12-3, the length of that cycle is 60 days. At June 30, 2021, the revenues being accrued include amounts due from other governments.

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

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

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

d. Deposits and Investments:

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

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

e. Capital Assets:

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

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

Government-Wide Financial Statements

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

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

The total June 30, 2021 balance of capital assets for governmental activities includes approximately 1.67% for which the costs were determined by estimates of original costs. The total

June 30, 2021 balance of capital assets for business-type activities are valued at original cost. These estimated original costs were established by prior records at cost or historical costs.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	ALL	NA	NA
Improvements	\$ 10,000.00	Straight Line	15-25 yrs
Buildings	20,000.00	Straight Line	50 yrs
Equipment and Vehicles	2,000.00	Straight Line	5-20 yrs
Food Service Machinery and Equipment	1,000.00	Straight Line	5-20 yrs

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

f. Long-Term Liabilities:

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

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 primarily consist of capital outlay certificates, early retirement benefits payable, compensated absences, other postemployment benefits payable and capital financing leases.

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

g. Program Revenues

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

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

3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses, and Change in Fund Net Position, 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.

i. Cash and Cash Equivalents:

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

j. 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 does 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 Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

k. Application of Net Position:

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

l. Deferred Inflows and Deferred Outflows of Resources:

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that

applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

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

m. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the school board.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

A schedule of fund balances is provided as follows:

**DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:				
<i>Nonspendable:</i>				
Deposits	\$ 25,428.00	\$	\$	\$ 25,428.00
<i>Restricted for:</i>				
Capital Outlay		908,294.03		908,294.03
Special Education			242,692.82	242,692.82
<i>Assigned to:</i>				
Unemployment	2,400.00			2,400.00
Subsequent Year's Budget	171,804.00			171,804.00
<i>Unassigned</i>	<u>742,054.14</u>			<u>742,054.14</u>
Total Fund Balances	<u>\$ 941,686.14</u>	<u>\$ 908,294.03</u>	<u>\$ 242,692.82</u>	<u>\$ 2,092,672.99</u>

n. Pensions

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

NOTE 2 – IMPLEMENTATION OF NEW ACCOUNTING STANDARD

In 2021, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities accounting standard. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of this standard required that the School District present a Statement of Changes in Fiduciary Net Position for Custodial Funds for 2021. The implementation of this standard required the School District to reclassify previously reported agency funds as custodial funds. The impact to the School District resulted in certain activities previously reported as fiduciary not being considered fiduciary under GASB 84. The effect of the implementation of this standard on beginning net position is disclosed in Note 16.

NOTE 3 – DEPOSITS AND INVESTMENTS FAIR VALUE MEASUREMENT, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

Deposits - The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value

equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

Concentration of Credit Risk – The School District places no limit on the amount that may be invested in any one issuer.

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

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from investments to the fund making the investment, except the Special Education Fund whose income is credited to the General Fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

NOTE 4 – RECEIVABLES AND PAYABLES

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

NOTE 5 - INVENTORY

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

In the Government-wide and in the enterprise fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. No material inventories were on hand as of June 30, 2021 in the governmental funds.

NOTE 6 - PROPERTY TAXES

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 statement, even though collection will occur in a future fiscal year.

NOTE 7 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2021 is as follows:

Primary Government	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 5,800.00	\$	\$	\$ 5,800.00
Total, not being depreciated	5,800.00			5,800.00
Capital Assets, being depreciated:				
Buildings	5,001,962.65			5,001,962.65
Improvements Other than Buildings	97,143.35	106,039.99		203,183.34
Machinery and Equipment	899,783.05	111,077.00	(7,134.00)	1,003,726.05
Library Books	105,733.00			105,733.00
Total, being depreciated	6,104,622.05	217,116.99	(7,134.00)	6,314,605.04
Less Accumulated Depreciation:				
Buildings	(1,065,834.17)	(126,359.79)		(1,192,193.96)
Improvements Other than Buildings	(53,768.32)	(3,543.69)		(57,312.01)
Machinery and Equipment	(602,366.12)	(85,771.00)	6,110.00	(682,027.12)
Library Books	(90,587.71)	(5,286.65)		(95,874.36)
Total Accumulated Depreciation	(1,812,556.32)	(220,961.13)	6,110.00	(2,027,407.45)
Total Capital Assets, being depreciated, net	4,292,065.73	(3,844.14)	(1,024.00)	4,287,197.59
Total	\$ 4,297,865.73	\$ (3,844.14)	\$ (1,024.00)	\$ 4,292,997.59

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	\$ 132,576.68
Support Services	55,240.28
Cocurricular	33,144.17
Total depreciation expense - governmental activities	\$ 220,961.13

	Balance 07/01/20	Increases	Decreases	Balance 06/30/21
Business Type Activities:				
Capital Assets, depreciated:				
Machinery and Equipment	\$ 61,117.83	\$	\$ 13,411.55	\$ 47,706.28
Less Accumulated Depreciation:				
Machinery and Equipment	<u>45,308.94</u>	<u>1,668.56</u>	<u>13,411.55</u>	<u>33,565.95</u>
Business-type activity capital assets, net	<u>\$ 15,808.89</u>	<u>\$ (1,668.56)</u>	<u>\$</u>	<u>\$ 14,140.33</u>

Depreciation expense was charged to functions as follows:

Business-type Activity	
Total Depreciation expense-business-type activities	<u>\$ 1,668.56</u>

NOTE 8 - LONG -TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2021 is as follows:

Primary Government

Governmental Activities:	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Capital Outlay Certificates	\$ 2,925,000.00	\$ 2,665,000.00	\$ 2,925,000.00	\$ 2,665,000.00	\$ 165,000.00
Capital Financing Leases	44,662.34		33,859.82	10,802.52	5,401.26
Early Retirement Payable	36,456.00		16,592.00	19,864.00	9,932.00
Accrued Compensated Absences	<u>4,306.00</u>	<u>2,906.55</u>	<u>2,562.07</u>	<u>4,650.48</u>	<u>2,325.24</u>
Total Governmental Activities	<u>\$ 3,010,424.34</u>	<u>\$ 2,667,906.55</u>	<u>\$ 2,978,013.89</u>	<u>\$ 2,700,317.00</u>	<u>\$ 182,658.50</u>

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

Liabilities payable at June 30, 2021 are comprised of the following:

Capital Outlay Certificates:

Series 2020 certificates dated September 17, 2020. Interest rates of 3% to 2%, depending on length to maturity; payable semi-annually. Final maturity is August 2034. Payments to be made from Capital Outlay Fund. \$ 2,665,000.00

Capital Financing Leases:

Lease Agreement with Marco dated October 17, 2017. Interest rate of 0%. Final maturity is September 2022. Payments to be made from Capital Outlay Fund 10,802.52

Early Retirement Benefits Payable:

Obligations to individuals who participate in the early retirement plan. Payments are made from the General Fund. 19,864.00

Compensated Absences:

Vested annual leave. Payments are made from the General Fund. 4,650.48

The annual debt service requirements to maturity for all debt outstanding, other than compensated absences, early retirement payable, and other postemployment benefits, as of June 30, 2021 are as follows:

F/Y	Capital Financing	Capital Outlay Certificates		Totals	
	Leases Principal	Principal	Interest	Principal	Interest
2022	\$ 5,401.26	\$ 165,000.00	\$ 84,935.56	\$ 170,401.26	\$ 84,935.56
2023	5,401.26	165,000.00	56,275.00	170,401.26	56,275.00
2024		170,000.00	51,250.00	170,000.00	51,250.00
2025		175,000.00	46,075.00	175,000.00	46,075.00
2026		180,000.00	40,750.00	180,000.00	40,750.00
2027-2031		965,000.00	134,375.00	965,000.00	134,375.00
2032-2036		845,000.00	34,150.00	845,000.00	34,150.00
Totals	<u>\$ 10,802.52</u>	<u>\$ 2,665,000.00</u>	<u>\$ 447,810.56</u>	<u>\$ 2,675,802.52</u>	<u>\$ 447,810.56</u>

The purchase prices at the commencement of the financing (capital acquisition) leases was:

	Marco Copier Lease
Principal	\$ 27,006.30
Interest	
TOTAL	<u>\$ 27,006.30</u>

During fiscal year 2021, the School District issued Capital Outlay Refunding Certificates of \$2,665,000 with an average interest rate of 2.174%, to refund the following:

Year Issued		Interest Rate	Unpaid Principal at Time of Refunding
2015	Capital Outlay Certificates	1.9% to 3.375%	\$ 2,760,000.00

The School District refunded the debt to reduce its total debt service payments over the next 14 years by \$332,593.20 to obtain an economic gain of \$275,921. The entire proceeds of the refunding issue in the amounts of \$2,760,000.00 were deposited into an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded issue. As a result, the refunded issue is considered to be defeased and the liability for this issue has been removed from the financial statement of the School District.

NOTE 9 – RESTRICTED NET POSITION

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

<u>Major Purposes:</u>	<u>Restricted by</u>	<u>Amount</u>
Capital Outlay Purposes	Law	\$ 1,171,169.21
Special Education Purposes	Law	391,691.44
Health Insurance Purposes	Law	25,428.00
SDRS Pension Purposes	Law	81,936.96
Total Restricted Net Position		<u>\$ 1,670,225.61</u>

NOTE 10 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2021 were as follows:

<u>Transfer To:</u>	<u>Transfer From:</u>	
	<u>Capital Outlay Fund</u>	<u>General Fund</u>
General Fund	\$ 50,000.00	\$
Food Service		10,500.00

The School District transferred monies to the General Fund from Capital Outlay to cover insurance, utility, and fuel expenses per SDCL. Also, the General Fund transferred funds to the Food Service Fund to cover cash shortages.

NOTE 11 – PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple-employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivors' 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.

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.

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

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

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

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, 2021, 2020, and 2019 were \$107,975.77, \$104,664.62, and \$81,170.27, respectively, equal to the required contributions each year.

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

At June 30, 2020, SDRS is 100.04% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of June 30, 2021 are as follows:

Proportionate share of total pension benefits	\$ 9,770,829.12
Less proportionate share of net position restricted for pension benefits	<u>9,774,281.05</u>
Proportionate share of net pension benefits	<u>\$ (3,451.93)</u>

At June 30, 2021, the School District reported a liability (asset) of \$(3,451.93) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2020 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the School District's proportion was 0.07948290% which is an increase (decrease) of 0.0134856% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the School District recognized a pension expense (reduction in pension expense) of \$150,381.95. At June 30, 2021 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 13,205.50	\$ 2,704.15
Changes in assumption	111,189.30	448,432.65
Net difference between projected and actual earnings on pension plan investments	320,839.70	
Changes in proportion and difference between District contributions and proportionate share of contributions		23,588.44
District contributions subsequent to the measurement date	107,975.77	
TOTAL	\$ 553,210.27	\$ 474,725.24

\$107,975.77 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 (asset) in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:

2022	\$ (39,844.82)
2023	(30,723.34)
2024	4,852.65
2025	59,813.20
TOTAL	\$ (5,902.31)

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.41%

Mortality rates were based on 97% of the RP-2014 Mortality Table, 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, projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (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%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	<u>2.0%</u>	1.0%
Total	<u>100.0%</u>	

Discount Rate:

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

Sensitivity of liability (asset) to changes in the discount rate:

The following presents the School District's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50% as well as what the School's proportionate share of the net pension liability (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>
School District's proportionate share of the net pension liability (asset)	\$ 1,339,118.80	\$ (3,451.93)	\$ (1,101,648.34)

Pension Plan Fiduciary Net Position:

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

NOTE 12 - JOINT VENTURES

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

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

<u>School District</u>	<u>%</u>	<u>School District</u>	<u>%</u>
Arlington	3.36	Henry	2.09
Britton-Hecla	5.50	Iroquois	2.74
Castlewood	3.95	Lake Preston	2.27
Clark	5.46	Oldham/Ramona	2.15
De Smet	3.64	Rosholt	3.09
Deubrook	4.68	Sioux Valley	8.80
Deuel	6.62	Summit	2.26
Elkton	4.31	Waubay	2.23
Enemy Swim	2.06	Waverly/South Shore	3.31
Estelline	3.48	Webster	6.83
Florence	3.57	Willow Lake	3.52
Hamlin	11.10	Wilmot	2.97

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

At June 30, 2021, this joint venture had total assets of \$2,117,558.95, total deferred outflows of resources of \$828,193.13, total liabilities of \$558,018.82, total deferred inflows of resources of \$665,473.24, and net position of \$1,722,260.02.

NOTE 13 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2021, the school district managed its risks as follows:

Employee Health Insurance

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

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

as the close of any plan year following completion of the member's initial participation period as defined by the Joint Powers Agreement.

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

Liability Insurance

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

Worker's Compensation

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

Unemployment Benefits

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

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

During the year ended June 30, 2021, no claims for unemployment benefits were paid. At June 30, 2021, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

NOTE 14 – EARLY RETIREMENT PLAN

The Willow Lake School District has an early retirement plan in effect. The criteria to determine eligibility includes years of service and employee age. Under the plan, the district will pay 75% to 100% of the current salary on contract. During the fiscal year 2021, four employees participated in the program. Payments to those employees totaled \$16,592 during the year.

NOTE 15 – SIGNIFICANT CONTINGENCIES - LITIGATION

At June 30, 2021, the school district was not involved in any litigation.

NOTE 16 – IMPLEMENTATION OF NEW STANDARD AND RESTATEMENT

As of June 30, 2021, the School District implemented GASB Statement No 84, Fiduciary Activities (GASB 84). Certain agency funds previously accounted for activities that are not considered fiduciary in nature and are now reported in the General Fund.

The School District restated the net position and fund balance of the General Fund indicated below to appropriately reflect the July 1, 2021 balances as follows:

General Fund

Net position at June 30, 2020, as previously stated	\$ 1,023,195.73
Restatement - Implementation of GASB 84	<u>9,661.54</u>
Net Position July 1, 2020 As Restated	<u>\$ 1,032,857.27</u>

Governmental Activities

Net position at June 30, 2020, as previously stated	\$ 4,288,925.55
Restatement - Implementation of GASB 84	<u>9,661.54</u>
Net Position July 1, 2020 As Restated	<u>\$ 4,298,587.09</u>

Custodial Funds

Net position at June 30, 2020, as previously stated	\$ 0.00
Restatement - Implementation of GASB 84	<u>65,579.09</u>
Net Position July 1, 2020 As Restated	<u>\$ 65,579.09</u>

REQUIRED SUPPLEMENTARY INFORMATION
WILLOW LAKE SCHOOL DISTRICT NO. 12-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 885,000.00	\$ 885,000.00	\$ 924,058.99	\$ 39,058.99
Prior Years' Ad Valorem Taxes	5,800.00	5,800.00	4,169.29	(1,630.71)
Utility Taxes	390,000.00	390,000.00	325,725.43	(64,274.57)
Penalties and Interest on Taxes	1,300.00	1,300.00	1,314.55	14.55
Tuition and Fees:				
Credit Recovery	500.00	500.00		(500.00)
Earnings on Investments/ Deposits	3,000.00	3,000.00	806.25	(2,193.75)
Cocurricular Activities:				
Admissions	10,300.00	10,300.00	5,951.00	(4,349.00)
Other Pupil Activity Income	50.00	8,565.00		(8,565.00)
Other Revenue from Local Sources:				
Rentals	500.00	500.00		(500.00)
Contributions	5,300.00	5,906.00	6,830.29	924.29
Charges for Services	4,400.00	4,400.00	5,353.32	953.32
Other	5,500.00	6,649.00	2,155.30	(4,493.70)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	8,500.00	8,500.00	10,266.62	1,766.62
Revenue in Lieu of Taxes	2,500.00	2,500.00		(2,500.00)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	962,365.00	964,015.00	989,366.42	25,351.42
Restricted Grants-in-Aid	500.00	500.00	400.00	(100.00)
Other State Revenue				
Revenue from Federal Sources:				
Unrestricted Grants-in-Aid Received from Federal Government Through SI	3,500.00	3,500.00	28,893.00	25,393.00
Restricted Grants-in-Aid Received from Federal Government through the State	<u>120,670.00</u>	<u>142,382.00</u>	<u>124,601.59</u>	<u>(17,780.41)</u>
Total Revenue	<u>2,409,685.00</u>	<u>2,443,317.00</u>	<u>2,429,892.05</u>	<u>(13,424.95)</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary School	820,642.00	826,595.00	803,298.95	23,296.05
Middle/Junior High	185,820.00	187,098.00	182,422.07	4,675.93
High School	475,345.00	481,649.00	449,932.47	31,716.53
Other Regular Programs	16,424.00	16,824.00	16,586.10	237.90

**REQUIRED SUPPLEMENTARY INFORMATION
WILLOW LAKE SCHOOL DISTRICT NO. 12-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Special Programs:				
Educationally Deprived	86,921.00	86,921.00	68,929.75	17,991.25
Support Services:				
Pupils:				
Support Services				
Guidance	28,096.00	28,096.00	27,614.63	481.37
Support Services - Instructional Staff:				
Improvement of Instruction	20,000.00	20,000.00	15,463.76	4,536.24
Educational Media	140,876.00	140,876.00	138,914.66	1,961.34
Support Services - General Administration:				
Board of Education	64,930.00	67,935.00	64,399.47	3,535.53
Executive Administration	160,874.00	160,874.00	159,767.27	1,106.73
Support Services - School Administration:				
Office of the Principal	76,800.00	76,800.00	74,807.06	1,992.94
Other	700.00	700.00	656.97	43.03
Support Services - Business:				
Fiscal Services	85,280.00	85,280.00	85,225.42	54.58
Operation and Maintenance of Plant	228,960.00	236,104.00	222,914.38	13,189.62
Pupil Transportation	136,635.00	137,468.00	125,950.10	11,517.90
Food Services	5,225.00	5,425.00	5,405.15	19.85
Support Services - Central:				
Purchased Services	850.00	850.00	827.00	23.00
Staff Services	520.00	520.00	475.75	44.25
Non Programmed Charges:				
Unemployment	5,000.00	5,000.00		5,000.00
Early Retirement	16,592.00	16,592.00	16,592.00	
Cocurricular Activities:				
Male Activities	50,605.00	50,605.00	44,285.35	6,319.65
Female Activities	40,835.00	40,835.00	35,291.59	5,543.41
Transportation	23,320.00	23,320.00	19,526.95	3,793.05
Combined Activities	<u>5,003.00</u>	<u>13,518.00</u>	<u>3,201.33</u>	<u>10,316.67</u>
Total Expenditures	<u>2,676,253.00</u>	<u>2,709,885.00</u>	<u>2,562,488.18</u>	<u>147,396.82</u>
Excess of Revenue Over (Under)				
Expenditures	<u>(266,568.00)</u>	<u>(266,568.00)</u>	<u>(132,596.13)</u>	<u>133,971.87</u>
Other Financing Sources:				
Transfers In	115,000.00	115,000.00	50,000.00	(65,000.00)
Transfers Out	(10,500.00)	(10,500.00)	(10,500.00)	
Sale of Surplus Property			<u>1,925.00</u>	<u>1,925.00</u>
Total Other Financing Sources	<u>104,500.00</u>	<u>104,500.00</u>	<u>41,425.00</u>	<u>(63,075.00)</u>
Net Change in Fund Balances	<u>(162,068.00)</u>	<u>(162,068.00)</u>	<u>(91,171.13)</u>	<u>70,896.87</u>
Beginning Fund Balance	1,023,195.73	1,023,195.73	1,023,195.73	
Implementation of GASB 84-Restatement			<u>9,661.54</u>	<u>9,661.54</u>
Beginning Fund Balance-Adjusted	<u>1,023,195.73</u>	<u>1,023,195.73</u>	<u>1,032,857.27</u>	<u>9,661.54</u>
ENDING FUND BALANCE	<u>\$ 861,127.73</u>	<u>\$ 861,127.73</u>	<u>\$ 941,686.14</u>	<u>\$ 80,558.41</u>

REQUIRED SUPPLEMENTARY INFORMATION
WILLOW LAKE SCHOOL DISTRICT NO. 12-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Budgetary Basis)	Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 607,400.00	\$ 612,824.00	\$ 646,114.29	\$ 33,290.29
Prior Years' Ad Valorem Taxes	700.00	700.00	3,296.44	2,596.44
Penalties and Interest on Taxes	1,000.00	1,000.00	1,020.66	20.66
Contributions and Donations	2,000.00	2,000.00	3,600.00	1,600.00
Other			300.00	300.00
Earnings on Investments/ Deposits	4,500.00	4,500.00	3,809.44	(690.56)
Revenue from Intermediate Sources:				
Revenue from Federal Sources:				
Unrestricted Grants-in-Aid Received from Federal Government through the State		105,656.00	105,656.00	
Restricted Grants-in-Aid Received from Federal Government through the State	5,500.00	10,450.00	30,291.00	19,841.00
Other Federal Revenue	33,500.00	33,500.00	20,897.50	(12,602.50)
Total Revenue	<u>654,600.00</u>	<u>770,630.00</u>	<u>814,985.33</u>	<u>44,355.33</u>
Expenditures:				
Instruction				
Regular programs:				
Elementary	50,000.00	50,000.00	40,624.61	9,375.39
High School	66,500.00	66,500.00	60,555.04	5,944.96
Special Programs:				
Educationally Deprived	1,200.00	1,200.00		1,200.00
Support Services-Instructional Staff:				
Educational Media	250.00	250.00		250.00
Support Services- School Administration:				
Office of Principal				
Support Services - Business:				
Fiscal Services	6,600.00	6,600.00	5,394.00	1,206.00
Facilities Acquisition and Construction	150,000.00	238,100.00	183,863.01	54,236.99
Operation and Maintenance of Plant	2,500.00	5,350.00	4,780.88	569.12
Pupil Transportation	88,000.00	113,080.00	113,077.00	3.00
Food Services	5,000.00	5,000.00	1,668.56	3,331.44
Debt Services	283,275.00	3,043,213.00	283,227.29	2,759,985.71
Cocurricular Activities:				
Male Activities	15,000.00	15,000.00	13,092.25	1,907.75
Female Activities	7,600.00	7,600.00	5,401.15	2,198.85
Total Expenditures	<u>675,925.00</u>	<u>3,551,893.00</u>	<u>711,683.79</u>	<u>2,840,209.21</u>
Excess of Revenue Over (Under)				
Expenditures	(21,325.00)	(2,781,263.00)	103,301.54	2,884,564.54
Other Financing Sources:				
Transfer (Out)	(115,000.00)	(115,000.00)	(50,000.00)	65,000.00
Payment to Refunding Debt			(2,760,000.00)	(2,760,000.00)
Premium on Refunded Debt			154,539.05	154,539.05
Refunding Capital Outlay Certificates	22,000.00	2,781,938.00	2,665,000.00	(116,938.00)
Total Other Financing Sources	<u>(93,000.00)</u>	<u>2,666,938.00</u>	<u>9,539.05</u>	<u>(2,657,398.95)</u>
Net Change in Fund Balances	(114,325.00)	(114,325.00)	112,840.59	227,165.59
Beginning Fund Balance	795,453.44	795,453.44	795,453.44	
ENDING FUND BALANCE	<u>\$ 681,128.44</u>	<u>\$ 681,128.44</u>	<u>\$ 908,294.03</u>	<u>\$ 227,165.59</u>

**REQUIRED SUPPLEMENTARY INFORMATION
WILLOW LAKE SCHOOL DISTRICT NO. 12-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 313,925.00	\$ 313,925.00	\$ 344,653.41	\$ 30,728.41
Prior Years' Ad Valorem Taxes	500.00	500.00	1,579.92	1,079.92
Penalties and Interest on Taxes	500.00	500.00	507.45	7.45
Earnings on Investments/ Deposits	675.00	675.00	172.92	(502.08)
Other Revenue from Local Sources:				
Charges for Services	1,200.00	1,200.00	1,702.16	502.16
Revenue from State Sources:				
Restricted Grants-in-Aid			100.00	100.00
Revenue from Federal Sources:				
Unrestricted Grants-in-Aid Received from Federal Government through State				
			4,046.00	4,046.00
Restricted Grants-in-Aid Received from Federal Government through State				
	100.00	1,719.00	1,704.00	(15.00)
Total Revenue	<u>316,900.00</u>	<u>318,519.00</u>	<u>354,465.86</u>	<u>35,946.86</u>
Expenditures:				
Special Programs:				
Programs for Special Education	217,640.00	219,259.00	207,798.30	11,460.70
Support Services:				
Pupils:				
Guidance	325.00	325.00	222.51	102.49
Health	61,410.00	61,410.00	55,949.88	5,460.12
Psychological	7,510.00	7,510.00	7,259.25	250.75
Speech Pathology	13,050.00	13,050.00	10,103.60	2,946.40
Student Therapy Services	9,255.00	9,255.00	6,952.10	2,302.90
Support Services - Instructional Staff:				
Improvement of Instruction	60.00	60.00		60.00
Support Services - General Administration:				
Board of Education	1,305.00	1,305.00	457.62	847.38
Support Services - Special Education				
Administrative Costs	3,670.00	3,670.00		3,670.00
Transportation Costs	2,375.00	2,375.00	89.04	2,285.96
Other Special Education Costs	300.00	300.00		300.00
Total Expenditures	<u>316,900.00</u>	<u>318,519.00</u>	<u>288,832.30</u>	<u>29,686.70</u>
 Net Change in Fund Balances	 0.00	 0.00	 65,633.56	 65,633.56
 Beginning Fund Balance	 <u>177,059.26</u>	 <u>177,059.26</u>	 <u>177,059.26</u>	 <u> </u>
 ENDING FUND BALANCE	 <u>\$ 177,059.26</u>	 <u>\$ 177,059.26</u>	 <u>\$ 242,692.82</u>	 <u>\$ 65,633.56</u>

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget

NOTE 1 – BUDGET AND BUDGETARY ACCOUNTING

The School District followed 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 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 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 board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the 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 School District budget and may be transferred by resolution of the board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
8. If it is determined, during the year, that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and each major special revenue fund.
11. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 2 – GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services- Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.

Schedule of Required Supplementary Information
WILLOW LAKE SCHOOL DISTRICT NO. 12-3
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

	2015	2016	2017	2018	2019	2020	2021
District's proportion of the net pension liability (asset)	0.0572139%	0.0613303%	0.0643915%	0.0649524%	0.0656925%	0.0659973%	0.0794829%
District's proportionate share of net pension liability (asset)	\$ (412,203)	\$ (260,119)	\$ 217,508	\$ (5,894)	\$ (1,532)	\$ (6,994)	\$ (3,452)
District's covered-employee payroll	\$ 1,000,510	\$ 1,119,721	\$ 1,224,021	\$ 1,320,097	\$ 1,365,687	\$ 1,352,839	\$ 1,744,407
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-41.20%	-23.23%	17.77%	-0.45%	-0.11%	-0.52%	-0.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.30%	104.10%	96.89%	100.10%	100.02%	100.09%	100.04%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of the previous fiscal year.

Schedule of Required Supplementary Information
WILLOW LAKE SCHOOL DISTRICT NO. 12-3
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS

South Dakota Retirement System

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of the Proportional Share of the Net Pension Liability (Asset) and
Schedule of Contributions

Changes from Prior Valuation

The June 30, 2020 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2019 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

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

Benefit Provision Changes

Legislation enacted in 2020 established a Qualified Benefit Preservation Arrangement (QBPA) under Section 415(m) of the Internal Revenue Code (IRC). The QBPA is effective July 1, 2020 and pays a portion of SDRS benefits that are restricted by IRC Section 415(b). The total benefits paid from SDRS and the QBPA will be limited to the applicable 415(b) annual limit, unreduced for early commencement if Members retire prior to age 62 and actuarially increased for late retirement up to age 70 if Members retire after age 65. The Actuarial Valuation considers benefits payable from both SDRS and the QBPA.

Legislation enacted in 2020 also brought the assets and the liabilities of the South Dakota Department of Labor and Regulation Plan into SDRS effective July 1, 2020. With the exception of the accounting results presented in Section 6 of this report, all exhibits include the assets, liabilities, and member counts of the former Department of Labor and Regulation Plan Members.

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 0.5% 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, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019 and is 1.41% as of June 30, 2020.

The changes in actuarial assumptions due to the 1.41% restricted maximum COLA decreased the Actuarial Accrued Liability by \$595 million, or 4.6% of the Actuarial Accrued Liability based on the 1.88% restricted maximum COLA.

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

Actuarial Method Changes

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

QUAM, BERGLIN & POST P.C.

CERTIFIED PUBLIC ACCOUNTANTS
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ELK POINT, SOUTH DAKOTA 57025

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Willow Lake School District No. 12-3, Clark County, South Dakota, as of June 30, 2021 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Willow Lake School District's basic financial statements and have issued our report thereon dated March 28, 2022.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Willow Lake School District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Quam, Berglin & Post P.C.
Certified Public Accountants
Elk Point, SD

March 28, 2022

**WILLOW LAKE SCHOOL DISTRICT NO. 12-3
SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

PRIOR AUDIT FINDINGS:

There are no prior audit findings to report.

CURRENT AUDIT FINDING:

There are no current audit findings to report.