



Financial Statements  
June 30, 2022

## Watertown School District No. 14-4

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## **Independent Auditor's Report**

To the School Board  
Watertown School District No. 14-4  
Watertown, South Dakota

### **Report on the Audit of the Financial Statements**

#### ***Qualified, Unmodified, and Disclaimer of Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Watertown School District No. 14-4 (the School District), as of and for the year ended June 30, 2022, 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.

#### ***Disclaimer of Opinion on the Discretely Presented Component Unit***

We do not express an opinion on the accompanying financial statements of the discretely presented component unit of the School District. Because of the significance of the matter described in the Basis for Disclaimer of Opinion on the Discretely Presented Component Unit section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit.

#### ***Qualified Opinions on the Aggregate Remaining Fund Information and Governmental Activities***

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate remaining fund information and governmental activities of the School District, as of June 30, 2022, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Unmodified Opinions on the Business-Type Activities and Each Major Fund***

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the School District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Disclaimer of Opinion on the Discretely Presented Component Unit***

The financial statements of the Lake Area Technical College Foundation have not been audited, and we were not engaged to audit the Lake Area Technical College Foundation's financial statements as part of our audit of the School District's basic financial statements. The Lake Area Technical College Foundation's financial activities, excluding the required financial statement footnotes, are included in the School District's basic financial statements as a discretely presented component unit and are comprised of approximately \$28,796,845 of assets, \$995,392 of liabilities, and \$27,801,453 of net position.

### ***Basis for Qualified and Unmodified Opinions***

We conducted our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Watertown School District No. 14-4 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

### ***Matter Giving Rise to Qualified Opinions on the Aggregate Remaining Fund Information and Governmental Activities***

The financial statements of the Arrow Education Foundation have not been audited, and we were not engaged to audit the Arrow Education Foundation's financial statements as part of our audit of the School District's basic financial statements. The Arrow Education Foundation's financial activities, excluding the required financial statement footnotes, are included in the School District's basic financial statements as a blended component unit presented as a special revenue fund and represent 21%, 25%, and 1% of the assets, net position, and revenues, respectively, of the School District's aggregate remaining fund information. The Arrow Education Foundation's financial activities, excluding the required financial statement footnotes, being included in the School District's basic financial statements as a blended component unit presented as a special revenue fund, therefore, also are included within the governmental activities and represent 2%, 3%, and less than 1% of the assets, net position, and revenues, respectively, of the School District's governmental activities.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Watertown School District No. 14-4's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

### ***Auditor's Responsibilities for the Audit of the Discretely Presented Component Unit***

Our responsibility is to conduct an audit of the School District's financial statements in accordance with GAAS and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion on the Discretely Presented Component Unit section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit.

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

### ***Auditor's Responsibilities for the Audit of the Governmental Activities, the Business-Type Activities, Each Major Fund, and the Aggregate Remaining Fund Information***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of employer's share of net pension liability (asset), schedule of employer's contributions, and schedule of changes in the School District's total OPEB liability and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Watertown School District No. 14-4's basic financial statements. The combining nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, because of the significance of the matter disclosed in the Basis for Disclaimer of Opinion on the Discretely Presented Component Unit section of our report, it is inappropriate to, and we do not, express an opinion in relation to the basis financial statements as a whole on the supplementary information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2023, on our consideration of Watertown School District No. 14-4's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota  
January 20, 2023

This section of the annual financial report of the Watertown School District No. 14-4 (the District) presents Management's Discussion and Analysis of the District's financial performance during the fiscal year ended on June 30, 2022. This MD&A is to be read in conjunction with the District's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The District continues to maintain an adequate financial position in all major funds with indication as in prior years that the Special Education Fund is identified at concern status with a fund balance operation at 9.7% of expenditures. This percent has increased and maintained over prior years and therefore the District continues to analyze the operation and review additional funding that is available through the State through the Extraordinary Cost Fund. The ending fund balance in the General Fund is 28.2% of expenditures, which is an anticipated 3.1% decrease from the prior year. The fund balance percentage is based on the most current year's total expenditures in the fund being analyzed. Increased federal funding related to ESSER allocations has allowed the District flexibility in the anticipated transfer in from the Capital Outlay Fund. Under cash limiting legislation, schools are not allowed to have their lowest month ending cash balance in an amount in excess of 25% of the prior year's expenditures. Due to the amount of federal funding allocated to public school districts as a result of the coronavirus pandemic, the School Finance Accountability Board with the approval of the Joint Committee on Appropriations passed two resolutions in regard to the monthly cash balance accounting. The resolution provides a complete waiver of excess cash balance penalties applicable to general state aid in FY2022 as well as FY2023. The ending fund balance of the General Fund on June 30, 2022 was \$7,941,297.
- The District's net position from governmental and business-type activities increased by \$9,366,343 or 10.74% resulting in a net position of \$93,105,868 within the governmental funds. Total fund balances for the governmental funds decreased by \$15,314,297 with capital assets noting an increase of \$11,753,332. Another notable change is that the pension related deferred outflows/inflows increased by \$2,959,772. The change is a direct component of the pension liability (asset) and is not reflected in the governmental funds.
- During the year, the District's total revenues of \$99,854,105 were composed of revenue reported under governmental activities at 93% with the other 7% as reported under Business-type activities. Revenue generation was in large part contributed to property taxes and related revenue coming in at \$21,402,879, State Aid, and other operating grants and contributions to the District.
- The Capital Outlay Fund had an ending fund balance at June 30, 2022 of \$10,038,294 with revenues reported at \$9,377,441 and expenditures at \$22,196,335. The expenditures over revenue were anticipated as the District spends down capital outlay certificate dollars in support of the High School renovation. The District as of June 30, 2022 had remaining commitments of approximately \$1,500,000 related to the renovation.



- The Special Education Fund had revenue exceed expenditures and created an ending fund balance on June 30, 2022 of \$678,200, an increase of \$306,667 from the previous fiscal year. This Fund is identified at concern status with a fund balance operation at 9.7% of expenditures. A comfortable level of funding operation within the Special Education Fund would be a 15% fund balance operation.
- The financial activity of the Lake Area Technical College Fund reflects an anticipated decrease with an ending fund balance as of June 30, 2022 of \$8,587,259. Revenue came in at \$29,318,211 and expenditures at \$30,927,199. Expenditures account for construction in progress of both the Diesel Expansion and Archway project.
- The District as of June 30, 2022 had remaining commitments of approximately \$1,500,000 related to the Watertown High School Remodel Project, remaining commitments of approximately \$230,000 related to HVAC upgrades at the elementary schools and Intermediate School, remaining commitments of approximately \$6,150,000 related to the Diesel Expansion project at LATC, and remaining commitments of approximately \$20,915,000 related to the Archway project at LATC.
- Long term debt payable at June 30, 2022 was comprised of Capital Outlay Certificate Debt in the amount of \$24,905,000 and unamortized premium in the amount of \$3,637,163. Additionally, the District recognizes its Early Retirement Plan obligation as long-term debt and at year-end that payable amount is \$1,153,747 of which the District's General Fund and LATC Post Secondary Fund is responsible for respective payments.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The first two statements are district-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- Governmental fund statements tell how general District services were financed in 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 District operates like a business.

The financial statements also include notes that provide further explanation of some of the information in the financial statements and provide additional disclosures so statement users have a complete picture of the District's financial activities and position. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements by including a comparison of the District's budget data for the year.

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

**Figure A-1**

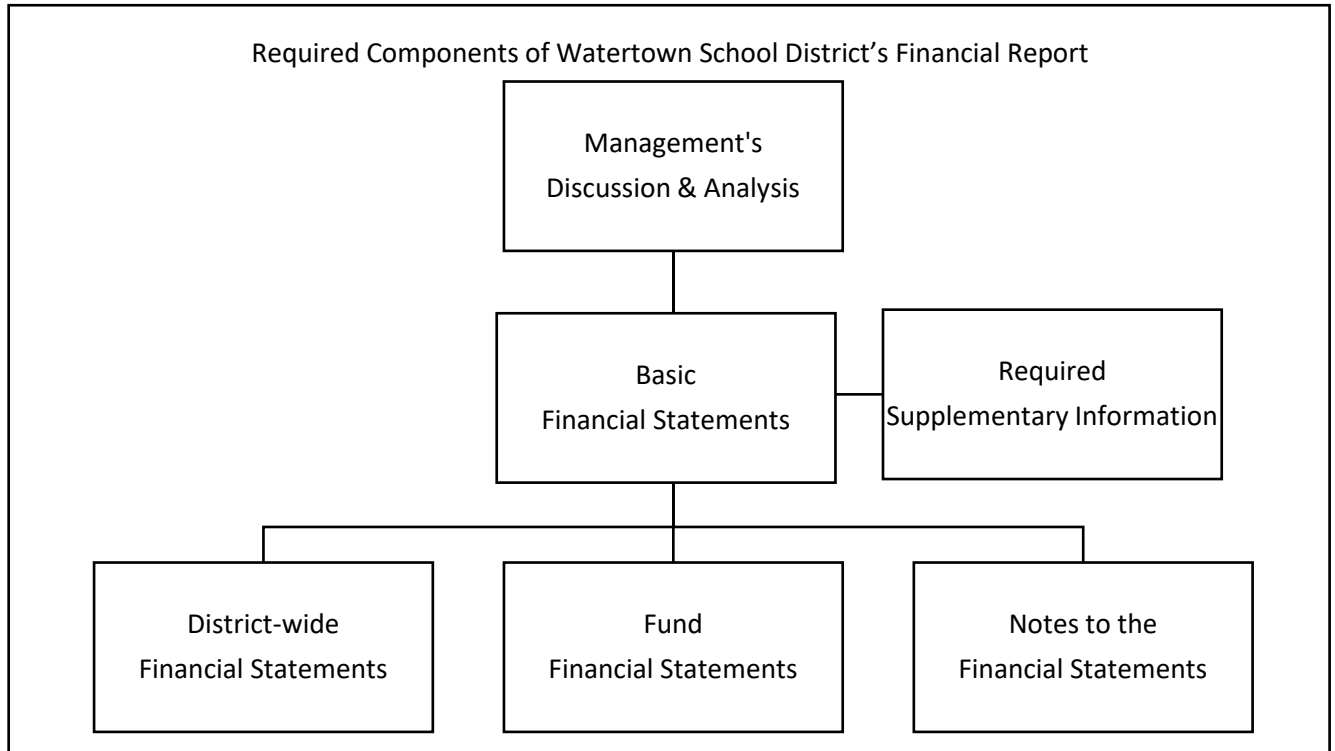


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b>				
<b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-Wide Statements	Governmental Funds	Fund Financial Statements	
			Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as General, Special Education and Capital Outlay	Activities the District operates similar to private businesses, such as food service and student services	Instances in which the District administers resources on behalf of someone else, such as student activities
Required financial statements changes	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Exchanges and Changes in Fund Net Positions</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt 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 District'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 the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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

The two government-wide statements report the District's net position and how they have changed. Net positions are the difference between the District's assets and liabilities and are one way to measure the District's financial position.

- Over time, increases and decreases in the District's net positions are an indicator of whether its financial position is improving or deteriorating.
- Additional non-financial factors, such as changes in the District's property tax base, condition of facilities and equipment, District enrollment trends and changes in the school aid funding formula from the State of South Dakota need to be considered as well.

The government-wide financial statements divide the District's activities into three categories:

- Governmental Activities include the District's instructional and support service costs in the following funds: General Fund, Capital Outlay, Special Education, Post-Secondary, Financial Aid Fund and non-major governmental funds. Debt service payments and capital equipment purchases are also accounted for in Governmental Activities. The financial support of Governmental Activities is derived mainly through property taxes, State aid, State and Federal grants, and the tuition and fees received by Lake Area Technical College.
- Business-type Activities are activities in which the District charges fees to assist with the cost of the services being provided. The Nutrition Services, Arena Concessions, Driver's Education, Pre-School Services, LATC Bookstore, LATC Food Service and LATC Educare Service are Business-type Activities of the District.
- Component Unit: The District separately reports the activity of LATC Foundation.

Fund financial statements provide more detailed information about the District's individual funds and not the District as a whole. Funds are accounting devices that the District uses to track specific sources of funding and spending for particular purposes.

- Law requires the use of certain funds and other funds are also used by the District to accommodate accounting and tracking of financial activities for varying purposes. The following are some of the funds used by the District and their general purpose.
  - General Fund - general instructional operations of the District
  - Capital Outlay Fund - capital type acquisitions (buildings, equipment & debt retirement)
  - Special Education Fund - costs related to providing instruction and support services to students with special needs
  - Post Secondary Fund - accommodates the operations of Lake Area Technical College (LATC)
  - Perkins Fund - accommodates the financial assistance provided by the Federal Government in the form of student loans for the students at LATC
  - Financial Aid Fund - accounts for student loans and college work study as provided by the Federal Government for LATC's students

The District has three types of funds:

- **Governmental Funds** - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information with the governmental fund statements that explain the relationship (or differences) between them.

The Watertown School District has designated the General Fund, Capital Outlay Fund, Special Education Fund, Post Secondary Fund and Financial Aid Fund as its major funds. Therefore, information is presented separately for these funds in the balance sheet and the statement of revenues, expenditures and changes in fund balance. Data for other governmental funds is provided in combined form.

- **Proprietary Funds** - Services for which the District charges users a fee are generally reported in proprietary funds. Proprietary funds are like government-wide statements in that they both provide short and long-term financial information.
  - **Enterprise Funds** (one type of proprietary fund) are the District's business-type activities reported on the government-wide financial statements and they provide more detail and additional information, such as cash flows.
  - **Internal Service Funds** (the other kind of proprietary fund) are used to report activities that provide supplies and services for the District's other programs and activities. The District operates the Self-funded Insurance Trust as an Internal Service Fund.
- **Component Unit Activities** – Arrow Education Foundation is an unaudited blended component unit reported separately as an independent corporation organized for the benefit of the School District. The primary focus of the Arrow Education Foundation is to support the advancement of education through scholarships and grants for costs associated with classroom activities and new program implementation for the benefit of students. The Arrow Education Foundation is financed by contributions and donations and earnings on investments.

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position – The District's combined net position was as follows:

Statement of Net Position June 30, 2022							
	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	
Current and Other Assets	\$67,388,148	\$71,753,812	\$4,367,338	\$3,057,549	\$71,755,486	\$74,811,361	-4.08%
Net Pension Asset	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
Capital Assets (Net Depreciation)	\$84,605,458	\$72,852,126	\$214,462	\$249,848	\$84,819,920	\$73,101,974	16.03%
Total Assets	\$151,993,606	\$144,605,938	\$4,581,800	\$3,307,397	\$156,575,406	\$147,913,335	5.86%
Deferred Outflows of Resources	\$15,754,434	\$10,612,255	\$485,018	\$303,812	\$16,239,452	\$10,916,067	48.77%
Total Assets and Deferred Outflows	\$167,748,040	\$155,218,193	\$5,066,818	\$3,611,209	\$172,814,858	\$158,829,402	8.81%
Long-term Debt Outstanding	\$26,927,284	\$28,548,100	\$0	\$0	\$26,927,284	\$28,548,100	-5.68%
Other Liabilities	\$14,104,398	\$22,596,703	\$948,734	\$499,077	\$15,053,132	\$23,095,780	-34.82%
Total Liabilities	\$41,031,682	\$51,144,803	\$948,734	\$499,077	\$41,980,416	\$51,643,880	-18.71%
Deferred Inflows of Resources	\$33,610,490	\$19,765,657	\$684,034	\$246,291	\$34,294,524	\$20,011,948	71.37%
Total Liabilities and Deferred Inflows	\$74,642,172	\$70,910,460	\$1,632,768	\$745,368	\$76,274,940	\$71,655,828	6.45%
Net Position:							
Net Invested in Capital Assets	\$56,063,295	\$33,513,758	\$214,462	\$249,848	\$56,277,757	\$33,763,606	66.68%
Restricted	\$27,650,738	\$39,160,519	\$155,052	\$59,401	\$27,805,790	\$39,219,920	-29.10%
Unrestricted	\$9,391,835	\$11,633,456	\$3,064,535	\$2,556,592	\$12,456,370	\$14,190,048	-12.22%
Total Net Position	\$93,105,868	\$84,307,733	\$3,434,049	\$2,865,841	\$96,539,917	\$87,173,574	10.74%
Liabilities, Deferred Inflows, and Net Position	\$167,748,040	\$155,218,193	\$5,066,818	\$3,611,209	\$172,814,858	\$158,829,402	8.81%

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 District, consisting of Capital Outlay Certificate indebtedness, have been reported in this manner on the Statement of Net Position. The difference between the District's assets and liabilities is its net position.

The District's investment in Capital Assets is noted at \$84,819,920 and reflects an increase of 16.03% from June 30, 2021. These Capital Assets are used to provide educational services; consequently, they are not available for future spending. The District's net investment in Capital Assets was \$56,277,757, an increase of 66.68% from June 30, 2021. Although the investment in Capital Assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the Capital Assets themselves cannot be used to liquidate these liabilities.

Watertown School District No. 14-4  
Management's Discussion and Analysis (Unaudited)  
June 30, 2022

The total net position of the District increased by \$9,366,343 or 10.74%.

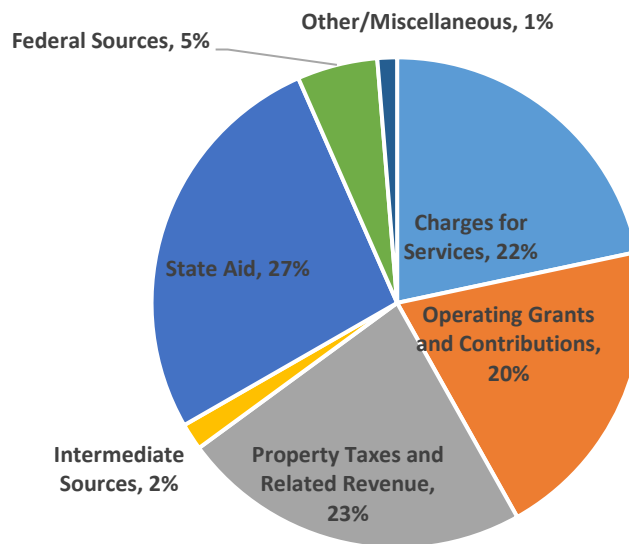
Statement of Changes in Net Position – The table below represents the District's changes in Net Position for Governmental and Business-type Activities.

Changes in Watertown School District's Net Position						
	Governmental Activities 2021-22	Governmental Activities 2020-21	Business-type Activities 2021-22	Business-type Activities 2020-21	Total 2021-22	Total 2020-21
<b>REVENUE:</b>						
Program Revenue						
Charges for Services	\$20,096,361	\$18,859,260	\$4,642,211	\$3,650,134	\$24,738,572	\$22,509,394
Operating Grants & Contributions	\$18,725,400	\$21,994,801	\$2,510,357	\$1,937,861	\$21,235,757	\$23,932,662
Capital Grants & Contributions	\$4,784,641	\$0	\$0	\$0	\$4,784,641	\$0
General Revenue						
Property Taxes and Related Revenue	\$21,402,879	\$20,854,479	\$0	\$0	\$21,402,879	\$20,854,479
Intermediate Sources	\$1,637,288	\$308,812	\$0	\$0	\$1,637,288	\$308,812
State Aid	\$24,761,979	\$20,820,248	\$0	\$0	\$24,761,979	\$20,820,248
Federal & Capital Grant Sources	\$130,005	\$1,996,556	\$0	\$0	\$130,005	\$1,996,556
Other/Miscellaneous	\$1,199,587	\$5,053,885	(\$36,603)	\$14,706	\$1,162,984	\$5,068,591
Total Revenue	\$92,738,140	\$89,888,041	\$7,115,965	\$5,602,701	\$99,854,105	\$95,490,742
<b>EXPENSES:</b>						
Instruction	\$36,165,966	\$38,343,601	\$0	\$0	\$36,165,966	\$38,343,601
Support services	\$22,294,141	\$23,950,205	\$0	\$0	\$22,294,141	\$23,950,205
Non-programmed Charges	\$22,216,782	\$18,995,888	\$0	\$0	\$22,216,782	\$18,995,888
Debt Service Payments	\$1,132,475	\$1,205,752	\$0	\$0	\$1,132,475	\$1,205,752
Co-curricular Costs	\$2,130,641	\$2,019,730	\$0	\$0	\$2,130,641	\$2,019,730
Nutrition/Food/Concessions Services	\$0	\$0	\$2,749,989	\$2,364,787	\$2,749,989	\$2,364,787
Student/Support Services	\$0	\$0	\$3,797,768	\$2,954,503	\$3,797,768	\$2,954,503
Total Expense	\$83,940,005	\$84,515,176	\$6,547,757	\$5,319,290	\$90,487,762	\$89,834,466
Increase Before Transfers	\$8,798,135	\$5,372,865	\$568,208	\$283,411	\$9,366,343	\$5,656,276
Transfer In/(Out)	\$0	(\$30,000)	\$0	\$30,000	\$0	\$0
Changes in Net Position	\$8,798,135	\$5,342,865	\$568,208	\$313,411	\$9,366,343	\$5,656,276
Net Position - Beginning	\$84,307,733	\$86,300,581	\$2,865,841	\$2,552,430	\$87,173,574	\$88,853,011
Restatement	\$0	(\$7,335,713)	\$0	\$0	\$0	(\$7,335,713)
Net Position - Ending	\$93,105,868	\$84,307,733	\$3,434,049	\$2,865,841	\$96,539,917	\$87,173,574

The District's total revenue in the amount of \$99,854,105 is 4.57% higher than the prior year. The expense total was .73% higher than the prior year in the amount of \$90,487,762. The increase in both revenue and expenditures is associated with the increased federal allocations received under the Elementary and Secondary School Emergency Relief Fund for K-12 education and the funding as allocated under the Higher Education Emergency Relief Fund in support of Lake Area Technical College.

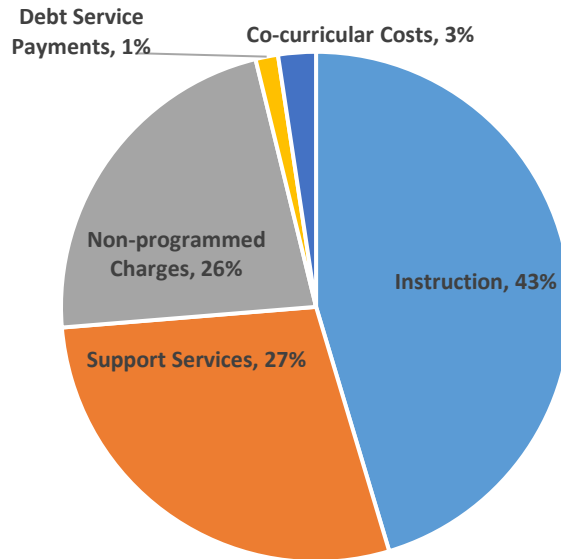
The following information illustrates the revenue and expense breakdown of the governmental funds. The graph demonstrates that the majority of the revenue consists of four main sources: State Aid - 27%, Property taxes and related revenue - 23%, Operating grants and contributions - 20% and charges for services - 22%. In comparing these percentages to that of the prior year, it illustrates that the percentage share of revenue received in relation to State and Federal sources has increased by 7% and the revenue from charges for services has increased by 1%. The percent of revenue received from property tax remained the same. The total revenue of the governmental activities was \$92,738,140 and the total expenditures were \$83,940,005 with the majority of the expenditures designated to instructional and support service costs.

Governmental Funds - Sources of Revenue - 2022





### Governmental Funds - Functional Expenses - 2022



Governmental Funds - The focus of the Watertown School District's governmental funds is to provide information on current revenues, expenses and balances of available resources. This information is useful in assessing the District's current financial condition and will assist in the assessment of the District's projected financial position. The changes in the reserved and unreserved fund balances serve as a useful measure of the net resources available for spending at the end of the fiscal year.

The District's governmental funds governmental activities ended the year with a combined net position of \$93,105,868. The majority of this amount is net investment in capital assets and restricted for Capital Outlay, Special Education, and Post-Secondary.

#### **Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This information is in the form of budgetary comparison schedules for the District's five major funds; General Fund, Capital Outlay, Special Education, LATC Post Secondary Fund and Financial Aid Fund. These schedules are accompanied by notes to the required supplementary information which explain the schedules and contain certain other budgetary information.

The combining statements for the nonmajor funds referred to earlier are presented immediately following the required supplementary information on budgets.

### CAPITAL ASSET ADMINISTRATION

Capital Assets - The School Board has established its capitalization policy with the value of equipment to be listed at \$5,000 and building improvements at \$25,000. The changes in the Capital Assets of the District were caused by several different factors: purchases, disposals and current year depreciation.

The District ended the 2022 fiscal year with an investment of \$84,605,458 in a broad range of Capital Assets, including land, construction work in process, buildings and improvements, and machinery and equipment. See table A-3 outlined below. This amount represents a net increase of \$11,753,332 or 16.08%.

Additional information on the School District's Capital Assets can be found in Note 4.

**Table A-3**  
**Watertown School District 14-4 Capital Assets**

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percent Change
	2021-22	2020-21	2021-22	2020-21	2021-22	2021-22
Land	\$7,040,196	\$6,586,820	\$0	\$0	\$453,376	6.88%
Construction Work in Process	\$17,918,377	\$8,926,401	\$0	\$0	\$8,991,976	100.73%
Buildings and Improvements	\$49,931,078	\$49,763,960	\$0	\$0	\$167,118	.34%
Machinery and Equipment	\$9,715,807	\$7,574,945	\$214,462	\$249,848	\$2,105,476	26.91%
	<u>\$84,605,458</u>	<u>\$72,852,126</u>	<u>\$214,462</u>	<u>\$249,848</u>	<u>\$11,753,332</u>	<u>16.08%</u>

### LONG-TERM DEBT ADMINISTRATION

The District ended the 2022 fiscal year with \$29,695,910 noted as long-term debt. This is a decrease of \$10,437,237 or 26.01%. See table A-4 outlined below.

Additional information on the School District's long-term debt can be found in Note 5.

**Table A-4**  
**Watertown School District 14-4 Outstanding Debt and Obligations**

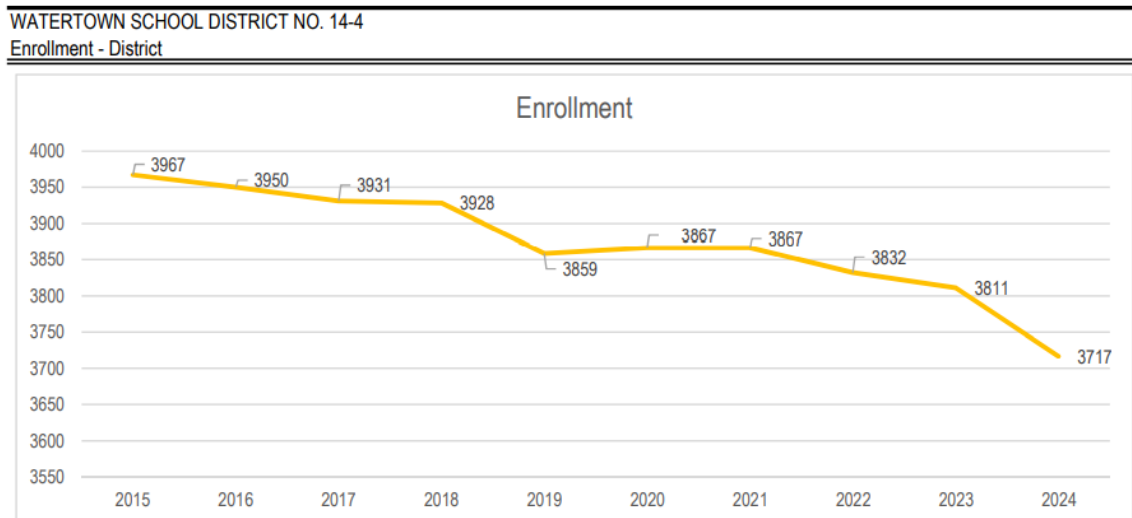
	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percent Change
	2021-22	2020-21	2021-22	2020-21	2021-22	2021-22
Capital Outlay Certificates	\$24,905,000	\$35,470,000	\$0	\$0	-\$10,565,000	-42.42%
Unamortized Premium	\$3,637,163	\$3,868,368	\$0	\$0	-\$231,205	-5.98%
Early Retirement	\$1,153,747	\$794,779	\$0	\$0	\$358,968	45.17%
	<u>\$29,695,910</u>	<u>\$40,133,147</u>	<u>\$0</u>	<u>\$0</u>	<u>-\$10,437,237</u>	<u>-26.01%</u>

### FACTORS BEARING ON THE DISTRICT'S FINANCIAL FUTURE

At the time these financial statements were prepared, the District was aware of the following circumstances that could significantly affect its financial condition in the future:

- The District has an assessed value of \$2,501,870,798 for taxes payable in 2022. The State aid formulas for the General Fund and Special Education funds are such that the District does not benefit from the growth in those funds. During the 2016 legislative session, modifications were made that eliminated the taxing authority for the Pension Fund in which has been transferred into the General Fund and limited the growth in the Capital Outlay Fund to the rate of inflation and new property growth. The Capital Outlay Fund no longer receives the full benefit of the increase in property value due to reassessments. The State Legislature annually sets the maximum tax levy amounts the District can request in all taxing funds except the Debt Service Fund, which is established by an approved resolution voted upon by District patrons.
- The primary source of revenue in the General Fund is based on the calculated State Aid formula in which received a 6.0% increase in the target salary amount for the 2022-23 year. The formula is driven by enrollment (see Figure A-5). The formula calculates a target student-to-teacher ratio, based on a sliding scale by student enrollment in which the District derives from a scale of 15 to 1. The District's target number of teachers is calculated by dividing the fall enrollment by the target student-to-teacher ratio. Instructional need is then calculated by multiplying the targeted number of teachers by the statewide target for average teacher salary, and increasing that total by 29% for benefits. The total instructional need is increased by 31% to cover non-instructional costs. This category includes operating costs as well as salaries and benefits of non-instructional staff, such as administrators, counselors, librarians, and school nurses. These steps calculate the District's total need for State Aid. Local effort is applied against the total need, with the State providing any necessary funds to achieve the total need as identified as State Aid.

**Figure A-5**  
**Watertown School District Past & Future Enrollment Forecast**



- On March 13, 2020 President Trump signed the Coronavirus Aid, Relief, and Economic Security Act in which \$13.5 billion was set aside for Elementary and Secondary schools to assist through the COVID-19 pandemic. At the time of this report, the Watertown School District has been awarded \$9,892,049 of federal funds related to funding education to assist schools through the COVID-19 pandemic. The total allocation consists of four separate funding rounds – CRF, ESSER I – II and – III. Each round comes with terms and regulations with the period of funding expanding by one year from the other. With the latest round, ESSER III including a funding period through September of 2024 – therefore accommodating three school years. Lake Area Technical College has been awarded \$9,757,177 of federal funds under HEERF with \$4,356,792 obligated to distribution to students. Funding obligation to term May of 2022.
- The High School Renovation Project began during the summer of 2020 with Gray Construction serving as the Construction Manager at Risk. The project is funded by Capital Outlay Certificates in the amount of \$15,000,000. The current contract for the project is \$13,658,089 with approved change orders to date of \$626,618 with a total contract sum to date of \$14,284,707. This contract total does not account for architectural support and a separate equipment/furniture allocation identified as \$735,000. Balance to finish, including retainage of the project is \$75,000.
- Lake Area Technical College accepted bids from Gray Construction for the Diesel Expansion project with a base bid of \$7,772,000 and a construction contingency of \$388,600, 5% of total bid, for a total construction cost of \$8,160,600. This bid contract does not account for architectural and equipment/furniture costs associated with the project. The project began during the spring of 2022.
- Lake Area Technical College accepted bids from Gray Construction for the Archway Complex project with a base bid of \$20,600,000 and a construction contingency of \$1,030,000, 5% of total bid, for a total construction cost of \$21,630,000. This bid contract does not account for architectural and equipment/furniture costs associated with the project. The project began during the fall of 2022.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the citizens, taxpayers, customers, investors and creditors of the Watertown School District with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please feel free to contact the Watertown School District's Business Office, P.O. Box 730, Watertown, SD 57201.

# Watertown School District No. 14-4

## Statement of Net Position

June 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	LATC Foundation
<b>Assets</b>				
Cash and cash equivalents	\$ 26,598,453	\$ 2,027,835	\$ 28,626,288	\$ 5,450,984
Investments	16,200,638	1,162,005	17,362,643	18,569,699
Taxes receivable	9,407,255	-	9,407,255	-
Other receivables	3,576,610	173,724	3,750,334	4,200,608
Interfund balances	(22,883)	22,883	-	-
Inventories	281,633	485,105	766,738	-
Prepaid expenses	2,000	141,718	143,718	-
Other assets	-	-	-	575,554
Net pension asset	11,344,442	354,068	11,698,510	-
Capital assets				
Land, improvements and construction in progress	24,958,573	-	24,958,573	-
Other capital assets, net of depreciation	59,646,885	214,462	59,861,347	-
	<u>151,993,606</u>	<u>4,581,800</u>	<u>156,575,406</u>	<u>28,796,845</u>
<b>Deferred Outflows of Resources</b>				
OPEB related deferred outflows	214,366	-	214,366	-
Pension related deferred outflows	15,540,068	485,018	16,025,086	-
	<u>15,754,434</u>	<u>485,018</u>	<u>16,239,452</u>	<u>-</u>
	<u>\$ 167,748,040</u>	<u>\$ 5,066,818</u>	<u>\$ 172,814,858</u>	<u>\$ 28,796,845</u>
<b>Liabilities</b>				
Accounts payable	\$ 3,602,754	\$ 362,395	\$ 3,965,149	\$ -
Other current liabilities	5,680,530	124,156	5,804,686	995,392
Unearned revenue	110,700	462,184	572,884	-
Noncurrent liabilities:				
Due within one year	2,768,626	-	2,768,626	-
Due in more than one year	26,927,284	-	26,927,284	-
Total OPEB liability	<u>1,941,788</u>	<u>-</u>	<u>1,941,788</u>	<u>-</u>
Total liabilities	<u>41,031,682</u>	<u>948,735</u>	<u>41,980,417</u>	<u>995,392</u>
<b>Deferred Inflows of Resources</b>				
OPEB related deferred inflows	953,521	-	953,521	-
Pension related deferred inflows	21,916,638	684,034	22,600,672	-
Taxes levied for future period	10,740,331	-	10,740,331	-
	<u>33,610,490</u>	<u>684,034</u>	<u>34,294,524</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	56,063,295	214,462	56,277,757	-
Restricted for:				
Capital Outlay	10,055,566	-	10,055,566	-
Special Education	688,422	-	688,422	-
SDRS Pension Purposes	4,967,872	155,052	5,122,924	-
LATC Post Secondary	8,587,259	-	8,587,259	-
Perkins Loan	274,248	-	274,248	-
Arrow Education Foundation	3,077,371	-	3,077,371	-
LATC Foundation	-	-	-	27,801,453
Unrestricted	<u>9,391,835</u>	<u>3,064,535</u>	<u>12,456,370</u>	<u>-</u>
Total net position	<u>93,105,868</u>	<u>3,434,049</u>	<u>96,539,917</u>	<u>27,801,453</u>
	<u>\$ 167,748,040</u>	<u>\$ 5,066,818</u>	<u>\$ 172,814,858</u>	<u>\$ 28,796,845</u>

# Watertown School District No. 14-4

## Statement of Activities

Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit LATC Foundation
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental activities:								
Instruction	\$ 36,165,966	\$ 12,884,494	\$ 3,133,324	\$ 1,318,454	\$ (18,829,694)	\$ -	\$ (18,829,694)	\$ -
Support services	22,294,141	707,245	2,357,797	3,466,187	(15,762,912)	-	(15,762,912)	-
Community services	90,862	-	-	-	(90,862)	-	(90,862)	-
Nonprogrammed charges	22,125,920	6,101,511	13,234,279	-	(2,790,130)	-	(2,790,130)	-
Co-curricular activities	2,130,641	403,111	-	-	(1,727,530)	-	(1,727,530)	-
*Interest on long-term debt	1,132,475	-	-	-	(1,132,475)	-	(1,132,475)	-
Total governmental activities	83,940,005	20,096,361	18,725,400	4,784,641	(40,333,603)	-	(40,333,603)	-
Business-type activities:								
Food services	2,631,886	642,981	2,367,944	-	-	379,039	379,039	-
Daycare and preschool	285,716	325,815	142,413	-	-	182,512	182,512	-
Drivers education	45,963	43,283	-	-	-	(2,680)	(2,680)	-
Bookstore	3,466,089	3,507,631	-	-	-	41,542	41,542	-
Concessions	118,103	122,501	-	-	-	4,398	4,398	-
Total business-type activities	6,547,757	4,642,211	2,510,357	-	-	604,811	604,811	-
Total primary government	\$ 90,487,762	\$ 24,738,572	\$ 21,235,757	\$ 4,784,641	(40,333,603)	604,811	(39,728,792)	-
Component Unit	\$ 2,729,350	\$ -	\$ 15,823,241					13,093,891
General Revenues								
Taxes:								
Property taxes					21,144,781	-	21,144,781	-
Gross receipts tax					258,098	-	258,098	-
Revenue from state sources:								
State aid					24,761,979	-	24,761,979	-
Other					1,637,288	-	1,637,288	-
Revenue from federal sources					130,005	-	130,005	-
Unrestricted investment earnings (losses)					(576,181)	(36,603)	(612,784)	(1,734,780)
Other general revenues					1,775,768	-	1,775,768	-
Total general revenues and special items					49,131,738	(36,603)	49,095,135	(1,734,780)
Change in Net Position					8,798,135	568,208	9,366,343	11,359,111
Net Position - Beginning					84,307,733	2,865,841	87,173,574	16,442,342
Net Position - Ending					\$ 93,105,868	\$ 3,434,049	\$ 96,539,917	\$ 27,801,453

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

# Watertown School District No. 14-4

## Balance Sheet – Governmental Funds

June 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	LATC Post Secondary Fund	Financial Aid Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
101 Cash and cash equivalents	\$ 5,908,770	\$ 7,200,883	\$ 758,424	\$ 6,039,668	\$ 6,335	\$ 271,625	\$ 20,185,705
180 Investments	4,167,776	4,207,467	487,564	4,475,942	-	2,861,889	16,200,638
110 Taxes receivable - current	4,468,634	3,038,700	1,840,856	-	-	-	9,348,190
112 Taxes receivable - delinquent	31,571	17,272	10,222	-	-	-	59,065
120 Accounts receivable, net	10,492	-	-	45,740	-	227,338	283,570
123 Tuition receivable	-	-	-	16,419	-	-	16,419
140 Due from other government	1,161,755	391,637	498,546	1,164,683	-	-	3,216,621
150 Advance to imprest	-	-	-	60,000	-	-	60,000
170 Inventory of supplies	180,387	-	-	101,246	-	-	281,633
192 Prepaid expenses	-	-	-	-	-	2,000	2,000
	<u>\$ 15,929,385</u>	<u>\$ 14,855,959</u>	<u>\$ 3,595,612</u>	<u>\$ 11,903,698</u>	<u>\$ 6,335</u>	<u>\$ 3,362,852</u>	<u>\$ 49,653,841</u>
<b>Liabilities</b>							
402 Accounts payable	\$ 242,315	\$ 1,305,087	\$ 92,293	\$ 1,659,888	\$ -	\$ 11,233	\$ 3,310,816
404 Contracts payable	1,904,163	-	549,444	1,199,503	-	-	3,653,110
410 Due to other fund	-	-	-	22,883	-	-	22,883
415 Amounts held for others	84,722	-	-	37,074	-	-	121,796
450 Payroll deductions and withholdings and employer matching payable	476,308	-	147,997	286,391	-	-	910,696
475 Unearned revenue	-	-	-	110,700	-	-	110,700
Total liabilities	<u>2,707,508</u>	<u>1,305,087</u>	<u>789,734</u>	<u>3,316,439</u>	<u>-</u>	<u>11,233</u>	<u>8,130,001</u>
<b>Deferred Inflows of Resources</b>							
551 Unavailable revenue - delinquent property taxes	31,571	17,272	10,222	-	-	-	59,065
552 Unavailable revenue - utility taxes	121,440	-	-	-	-	-	121,440
553 Taxes levied for future period	5,127,569	3,495,306	2,117,456	-	-	-	10,740,331
Total deferred inflows of resources	<u>5,280,580</u>	<u>3,512,578</u>	<u>2,127,678</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,920,836</u>
<b>Fund Balances</b>							
710 Nonspendable for:							
Inventory	180,387	-	-	101,246	-	-	281,633
720 Restricted for:							
Capital Outlay	-	10,038,294	-	-	-	-	10,038,294
Special Education	-	-	678,200	-	-	-	678,200
LATC Post Secondary	-	-	-	8,486,013	-	-	8,486,013
Financial Aid	-	-	-	-	6,335	-	6,335
Perkins	-	-	-	-	-	274,248	274,248
Arrow Education Foundation	-	-	-	-	-	3,077,371	3,077,371
760 Unassigned	7,760,910	-	-	-	-	-	7,760,910
Total fund balances	<u>7,941,297</u>	<u>10,038,294</u>	<u>678,200</u>	<u>8,587,259</u>	<u>6,335</u>	<u>3,351,619</u>	<u>30,603,004</u>
	<u>\$ 15,929,385</u>	<u>\$ 14,855,959</u>	<u>\$ 3,595,612</u>	<u>\$ 11,903,698</u>	<u>\$ 6,335</u>	<u>\$ 3,362,852</u>	<u>\$ 49,653,841</u>

See Notes to Financial Statements

Watertown School District No. 14-4  
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
Year Ended June 30, 2022

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Total Fund Balances - Governmental Funds	\$ 30,603,004
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$139,354,701 and the accumulated depreciation is \$54,749,243.	84,605,458
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(26,058,747)
Unamortized balance of premiums on long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(3,637,163)
Assets such as taxes receivable (delinquent) and utility taxes are not available to pay for current period expenditures and, therefore, are deferred in the funds.	180,505
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	5,475,871
Interest expense payable is not included as a liability in the fund statements. Interest expense payable is included as a liability in the statement of net position.	(349,989)
OPEB obligations and related deferred outflows of resources and deferred inflows of resources do not represent available financial resources and, therefore, are not reported in the funds.	(2,680,943)
Net pension liability (asset), pension related deferred inflows of resources, and pension related deferred outflows of resources do not represent available financial resources and, therefore, are not reported in the funds.	<u>4,967,872</u>
Net Position - Governmental Funds	<u><u>\$ 93,105,868</u></u>



**Watertown School District No. 14-4**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds**  
**Year Ended June 30, 2022**

	General Fund	Capital Outlay Fund	Special Education Fund	LATC Post Secondary Fund	Financial Aid Fund	Other Governmental Funds	Total Governmental Funds
Revenues							
1000 Revenue from local sources							
1100 Taxes:							
1110 Ad valorem taxes	\$ 10,054,388	\$ 6,853,458	\$ 4,139,343	\$ -	\$ -	\$ -	\$ 21,047,189
1120 Prior year's ad valorem taxes	30,781	21,191	12,199	-	-	-	64,171
1140 Gross receipts taxes	266,745	-	-	-	-	-	266,745
1190 Penalties and interest on taxes	13,807	9,579	5,648	-	-	-	29,034
1210 Revenue in lieu of taxes	9,933	-	-	-	-	-	9,933
1400 Post secondary program tuition and fees	-	-	-	7,464,572	-	-	7,464,572
1500 Earnings (losses) on investments and deposits	(131,549)	(107,975)	(15,821)	(138,265)	-	(189,245)	(582,855)
1700 Co-curricular activities:							
1710 Admissions	60,455	-	-	-	-	-	60,455
1790 Other student activity income	342,656	-	-	-	-	-	342,656
1800 Post secondary:							
1820 Resales/services - occupational programs	-	-	-	336,328	-	-	336,328
1830 Resales/services - parts department	-	-	-	257,061	-	-	257,061
1840 State fees	-	-	-	694,163	-	-	694,163
1850 Corporate education fees	-	-	-	335,874	-	-	335,874
1860 Local fees	-	-	-	3,865,298	-	806	3,866,104
1900 Other revenue from local sources:							
1910 Rentals	123,536	-	-	277,169	-	-	400,705
1920 Contributions and donations	-	-	-	272,183	-	239,971	512,154
1970 Charges for services	55,747	-	58,109	-	-	-	113,856
1990 Other	421,264	117,720	5,391	842,743	27,534	56,449	1,471,101
2000 Revenue from intermediate sources							
2100 County sources:							
2110 County apportionment	438,757	-	-	-	-	-	438,757
2200 Revenue in lieu of taxes	19,869	-	-	-	-	-	19,869
3000 Revenue from state sources							
3100 Grants-in-aid:							
3110 Unrestricted grants-in-aid	13,725,019	-	-	7,079,124	-	-	20,804,143
3120 Restricted grants-in-aid	39,935	-	1,869,556	3,725,568	91,109	-	5,726,168
3900 Other state revenue	6,789	-	-	1,207,209	-	-	1,213,998
4000 Revenue from federal sources							
4100 Grants-in-aid:							
4140 Restricted grants-in-aid received directly from federal government	-	-	-	-	13,115,636	-	13,115,636
4150-4199 Restricted grants-in-aid received from federal government through the state	1,786,283	2,420,372	1,212,689	3,097,120	-	-	8,516,464
4900 Other federal revenue	64,845	63,096	-	2,064	-	-	130,005
Total revenues	27,329,260	9,377,441	7,287,114	29,318,211	13,234,279	107,981	86,654,286

**Watertown School District No. 14-4**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds**  
**Year Ended June 30, 2022**

	General Fund	Capital Outlay Fund	Special Education Fund	LATC Post Secondary Fund	Financial Aid Fund	Other Governmental Funds	Total Governmental Funds
Expenditures							
1000 Instruction							
1100 Regular programs:							
1110 Elementary schools	8,111,794	1,167,043	-	-	-	-	9,278,837
1120 Middle/junior high schools	2,283,600	30,663	-	-	-	-	2,314,263
1130 High school	4,468,331	352,214	-	-	-	-	4,820,545
1140 Preschool services	68,883	-	-	-	-	-	68,883
1200 Special programs:							
1210 Gifted and talented	94,065	-	-	-	-	-	94,065
1220 Programs for special education	-	5,996	4,896,209	-	-	-	4,902,205
1250 Culturally different	119,403	-	-	-	-	-	119,403
1270 Educationally deprived	484,199	-	-	-	-	-	484,199
1290 Other special programs	433,918	-	-	-	-	-	433,918
1300 Adult continuing education programs:							
1390 Other adult continuing education programs	-	-	-	187,302	-	-	187,302
1500-1999 Post secondary occupational programs	-	-	-	15,623,029	-	-	15,623,029
2000 Support services							
2100 Pupils:							
2110 Attendance and social work	263,214	-	-	-	-	-	263,214
2120 Guidance	732,171	-	-	3,172,102	-	-	3,904,273
2130 Health	253,879	-	141,145	-	-	-	395,024
2140 Psychological	-	-	267,298	-	-	-	267,298
2150 Speech pathology	-	-	709,738	-	-	-	709,738
2160 Audiology services	-	-	8,202	-	-	-	8,202
2170 Student therapy services	-	-	421,420	-	-	-	421,420
2180 Orientation and mobility services	-	-	45	-	-	-	45
2200 Support services - instructional staff:							
2210 Improvement of instruction	723,176	-	155,374	638,554	-	-	1,517,104
2220 Educational media	1,008,044	10,000	24,056	1,674,492	-	-	2,716,592
2300 Support services - general administration:							
2310 Board of education	83,515	-	-	39,012	-	-	122,527
2320 Executive administration	545,168	-	-	302,279	-	-	847,447
2400 Support services - school administration:							
2410 Office of the principal	1,843,619	-	-	-	-	-	1,843,619
2420 Vocational school - directors office	-	-	-	757,860	-	-	757,860
2430 Financial aid administration	-	-	-	320,906	-	-	320,906
2440 Title I program administration	42,353	-	-	-	-	-	42,353
2490 Other support services	17,755	-	-	282,038	-	-	299,793

**Watertown School District No. 14-4**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds**  
**Year Ended June 30, 2022**

	General Fund	Capital Outlay Fund	Special Education Fund	LATC Post Secondary Fund	Financial Aid Fund	Other Governmental Funds	Total Governmental Funds
2500 Support services - business:							
2520 Fiscal services	541,875	19,311	-	269,884	-	125,676	956,746
2530 Facilities acquisition and construction	-	144,596	-	4,890,482	-	-	5,035,078
2540 Operation and maintenance of plant	2,729,682	7,746,602	-	2,018,704	-	-	12,494,988
2550 Pupil transportation	966,414	282,200	-	-	-	-	1,248,614
2590 Other	-	-	-	-	-	91,185	91,185
2600 Support services - central:							
2620 Planning	50,418	-	-	-	-	-	50,418
2700 Support services - special education:							
2710 Administrative costs	-	-	187,806	-	-	-	187,806
2730 Transportation costs	-	-	111,396	-	-	-	111,396
2750 Other special education costs	-	-	57,758	-	-	-	57,758
2800 Resale services:							
2810 Post secondary resales/service	-	-	-	8,958	-	-	8,958
2820 RIS - precision production	-	-	-	345,616	-	-	345,616
2900 Other support services	-	-	-	21,586	-	-	21,586
3000 Community services							
3700 Nonpublic school	90,862	-	-	-	-	-	90,862
4000 Nonprogrammed charges							
4200 Student financial aid	-	-	-	-	13,242,944	119,035	13,361,979
4500 Early retirement payments	504,555	-	-	284,287	-	-	788,842
4900 Other nonprogrammed costs	-	-	-	1,404	-	193,076	194,480
5000 Debt services	-	11,950,025	-	-	-	-	11,950,025
6000 Co-curricular activities							
6100 Male activities	216,477	-	-	-	-	-	216,477
6200 Female activities	218,330	-	-	-	-	-	218,330
6500 Transportation	176,420	-	-	-	-	-	176,420
6900 Combined activities	1,108,864	487,685	-	88,704	-	-	1,685,253
Total expenditures	28,180,984	22,196,335	6,980,447	30,927,199	13,242,944	528,972	102,056,881
Excess of Revenue over (under) Expenditures	(851,724)	(12,818,894)	306,667	(1,608,988)	(8,665)	(420,991)	(15,402,595)
Other Financing Sources (Uses)							
5110 Transfers in	-	-	-	-	15,000	-	15,000
8110 Transfers out	-	-	-	(15,000)	-	-	(15,000)
5130 Sale of surplus property	-	37,810	-	50,488	-	-	88,298
Total other financing sources (uses)	-	37,810	-	35,488	15,000	-	88,298
Net Change in Fund Balances	(851,724)	(12,781,084)	306,667	(1,573,500)	6,335	(420,991)	(15,314,297)
Fund Balance - Beginning	8,793,021	22,819,378	371,533	10,160,759	-	3,772,610	45,917,301
Fund Balance - Ending	\$ 7,941,297	\$ 10,038,294	\$ 678,200	\$ 8,587,259	\$ 6,335	\$ 3,351,619	\$ 30,603,004

Watertown School District No. 14-4  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the  
Government-Wide Statement of Activities  
Year Ended June 30, 2022

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Net Change in Fund Balances - Total Governmental Funds \$ (15,314,297)

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 capital outlay (\$15,535,134) exceeded depreciation (\$3,673,433) in the current period.	11,861,701
In the statement of activities, gains and losses on disposal of capital assets are reported; whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	(108,369)
Payment of principal on long-term debt is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.	10,565,000
CO Certificates	10,565,000
In the statement of activities, certain operating expenses (early retirement) are measured by the amounts earned during the year. In the governmental funds expenditures, these items are measured by the amount actually paid. Early retirement earned during the period exceeded the amount paid.	(358,968)
In both the government-wide and fund financial statements, revenues from property tax levies and utility taxes are applied to finance the budget of a particular period. Accounting for revenues from property and utility tax accruals in the funds' statements differ 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."	(4,260)
Interest expense payable is not included as an expenditure in the fund statements. Interest expense payable is included as an expenditure in the statement of activities.	21,345

Watertown School District No. 14-4  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the  
Government-Wide Statement of Activities  
Year Ended June 30, 2022

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Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service is reported with governmental activities.	(1,313,466)
The accrual of OPEB costs are not reflected in governmental funds, but the statement of activities reflects the change in this liability and related deferred outflows of resources from one year to the next.	258,472
Governmental funds report the effect of premiums and discounts when the debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities. This is the amount of premiums amortized in the current period.	231,205
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>2,959,772</u>
Change in Net Position of Governmental Activities	<u><u>\$ 8,798,135</u></u>

Watertown School District No. 14-4  
Statement of Net Position – Proprietary Funds  
June 30, 2022

	Nonmajor Enterprise Funds	Internal Service Fund
Assets		
Current assets		
101 Cash and cash equivalents	\$ 2,027,835	\$ 6,412,748
180 Investments	1,162,005	-
120 Accounts receivable	161,589	-
130 Due from other fund	22,883	-
140 Due from other governments	12,135	-
170 Inventory of supplies	23,215	-
171 Inventory of stores purchased for resale	461,675	-
172 Inventory of donated food	215	-
192 Prepaid expenses	141,718	-
Total current assets	<u>4,013,270</u>	<u>6,412,748</u>
Noncurrent assets		
196 Net pension asset	354,068	-
200 Capital assets		
204 Machinery and equipment - local funds	603,491	-
Less accumulated depreciation	<u>(389,029)</u>	<u>-</u>
Total noncurrent assets	<u>568,530</u>	<u>-</u>
Deferred outflows of resources		
252 Pension related deferred outflows	<u>485,018</u>	<u>-</u>
	<u>\$ 5,066,818</u>	<u>\$ 6,412,748</u>
Liabilities and Net Position		
Liabilities		
400 Current liabilities:		
402 Accounts payable	\$ 362,395	\$ 291,938
404 Contracts payable	19,353	-
409 Incurred but not reported claims	-	644,939
450 Payroll deductions and withholdings and employer matching payable	4,212	-
471 Deposits payable	100,591	-
475 Unearned revenue	<u>462,184</u>	<u>-</u>
Total current liabilities	<u>948,735</u>	<u>936,877</u>
Deferred inflows of resources		
554 Pension related deferred inflows	<u>684,034</u>	<u>-</u>
Net Position		
706 Net investment in capital assets	214,462	-
707.2 Restricted for pension benefits	155,052	-
708 Unrestricted net position	<u>3,064,535</u>	<u>5,475,871</u>
Total net position	<u>3,434,049</u>	<u>5,475,871</u>
	<u>\$ 5,066,818</u>	<u>\$ 6,412,748</u>

See Notes to Financial Statements

Watertown School District No. 14-4  
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds  
Year Ended June 30, 2022

	Nonmajor Enterprise Funds	Internal Service Fund
Operating Revenues		
Sales		
1340 Preschool tuition	\$ 12,490	\$ -
1610 To pupils	644,502	-
1620 To adults	5,787	-
1630 Ala carte	13,618	-
1690 Other	144,858	-
1720 Bookstore sales	3,507,631	-
1970 Self-insurance premiums	-	6,101,511
1980 Daycare charges for services	313,325	-
Total operating revenues	<u>4,642,211</u>	<u>6,101,511</u>
Operating Expenses		
100 Salaries	1,355,899	-
200 Employee benefits	230,889	-
300 Purchased services	167,385	-
400 Supplies	227,863	-
461 Cost of sales - purchased	4,377,546	-
462 Cost of sales - donated	128,529	-
600 Other	24,260	-
900 Depreciation	35,386	-
4620 Self-insurance costs	-	7,421,651
Total operating expenses	<u>6,547,757</u>	<u>7,421,651</u>
Operating Income (Loss)	<u>(1,905,546)</u>	<u>(1,320,140)</u>
Nonoperating Revenue		
Local sources:		
1500 Investment earnings (losses)	(36,603)	6,674
State sources:		
3810 Cash reimbursements	5,897	-
Federal sources:		
4150 Federal grants	120,311	-
4810 Cash reimbursements	2,255,620	-
4820 Donated food	128,529	-
Total nonoperating revenue (expense)	<u>2,473,754</u>	<u>6,674</u>
Change in Net Position	568,208	(1,313,466)
Net Position - Beginning	<u>2,865,841</u>	<u>6,789,337</u>
Net Position - Ending	<u><u>\$ 3,434,049</u></u>	<u><u>\$ 5,475,871</u></u>

Watertown School District No. 14-4  
Statement of Cash Flows – Proprietary Funds  
Year Ended June 30, 2022

	Nonmajor Enterprise Funds	Internal Service Fund
Cash Flows from (used for) Operating Activities		
Cash receipts from customers	\$ 4,846,108	\$ -
Cash receipts from interfund services provided	-	6,101,511
Payments to employees	(1,675,893)	-
Payments to suppliers	(4,776,046)	-
Payments for claims	-	(7,108,563)
Net Cash used for Operating Activities	<u>(1,605,831)</u>	<u>(1,007,052)</u>
Cash Flows from Noncapital Financing Activities		
Operating grants	120,311	-
Operating subsidies	2,261,517	-
Net Cash from Noncapital Financing Activities	<u>2,381,828</u>	<u>-</u>
Cash Flows from (used for) Investing Activities		
Purchase of investments	(1,202,012)	-
Cash received for interest	3,404	6,674
Net Cash from (used for) Investing Activities	<u>(1,198,608)</u>	<u>6,674</u>
Net Change in Cash and Cash Equivalents	(422,611)	(1,000,378)
Cash and Cash Equivalents, Beginning of Year	2,450,446	7,413,126
Cash and Cash Equivalents, End of Year	<u>\$ 2,027,835</u>	<u>\$ 6,412,748</u>
Reconciliation of Operating Loss to Net Cash used for Operating Activities		
Operating loss	\$ (1,905,546)	\$ (1,320,140)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense	35,386	-
Value of donated commodities used	128,529	-
Change in assets and liabilities:		
Accounts receivable	6,000	-
Inventories	(97,872)	-
Due from other fund	(12,574)	-
Due from other governments	(10,194)	-
Prepaid expenses	(103,567)	-
Pension asset and deferred outflows	(533,394)	-
Accounts payable	245,215	313,088
Contracts payable	5,272	-
Payroll deductions and withholdings and employer matching payable	1,274	-
Deposits payable	(3,147)	-
Unearned revenue	201,044	-
Pension liability and deferred inflows	437,743	-
Net Cash used for Operating Activities	<u>\$ (1,605,831)</u>	<u>\$ (1,007,052)</u>
Noncash Investing, Capital and Financing Activities		
Value of commodities received	\$ 128,529	\$ -
Loss on investments not affecting operating income (loss)	(40,007)	-

See Notes to Financial Statements



**Note 1 - Summary of Significant Accounting Policies**

The Watertown School District No. 14-4's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for school districts through its pronouncements. The more significant accounting policies established in GAAP and used by the School District are discussed below.

**Reporting Entity**

The reporting entity of the Watertown School District No. 14-4 (the School District) 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); its discretely presented component unit; and those organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District.

The Lake Area Technical College Foundation meets the definition of a discretely presented component unit. This component unit is displayed in a separate column in the government-wide financial statements to emphasize that it is legally separate from the School District. The Arrow Education Foundation meets the definition of a blended component unit. This component unit is displayed within governmental funds as a non-major governmental fund. Separate unaudited financial statements are available for both the component units upon request from the School District.

**Basis of Presentation and Basis of Accounting****Basis of Presentation**

Government-Wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities and component units. Eliminations to the various funds have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities and discretely presented component units of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Discretely presented component units are legally separate organizations that meet certain criteria, as described above, and may be classified as either governmental or business-type activities. See the discussion of individual component units above.

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 the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type; and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5% 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.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary services.

The funds of the School District are described below within their respective fund types.

### **Governmental Funds**

**General Fund:** The General Fund is established by South Dakota Codified Law (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. The special revenue funds maintained by the School District are as follows:

- 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.
- LATC Post-Secondary Fund – A fund established by SDCL 13-39-39.1 to account for funds incidental to the operation of Lake Area Technical College, a school providing post-secondary vocational education programs. This fund is financed by tuition and fees and grants. This is a major fund.
- Financial Aid Fund – A fund established to account for funds incidental to the operation of Lake Area Technical College's student financial aid programs. This fund is financed by grants. This is a major fund.
- Perkins Fund – A fund established to account for funds incidental to the operation of Lake Area Technical College's Perkins Loan financial aid program. This fund is financed by grants and fees and interest. This is not a major fund.
- Arrow Education Foundation – This is an unaudited blended component unit which is a separate and independent corporation organized for the benefit of the School District. The primary focus of the Arrow Education Foundation is to support the advancement of education through scholarships and grants for costs associated with classroom activities and new program implementation for the benefit of students. The Arrow Education Foundation is financed by contributions and donations and earnings on investments. This is not 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:

- The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity.
- Laws or regulations require that the activity's costs of providing services, including capital costs, be recovered with fees and charges, rather than with taxes or similar revenues.
- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

The enterprise funds maintained by the School District are as follows:

- Food Service Fund – A fund used to record financial transactions related to K-12 food service operations. This fund is financed by user charges and grants. This is not a major fund.
- Concessions Fund – A fund used to record financial transactions related to operations of school activity concessions programs. This fund is financed by user charges. This is not a major fund.
- Drivers Education Fund – A fund used to record financial transactions related to operations of the School District's drivers education program. This fund is financed by user charges. This is not a major fund.

- Pre-School Services Fund – A fund used to record financial transactions related to operations of the pre-school services program. This fund is financed by user charges. This is not a major fund.
- Bookstore Fund – A fund used to record financial transactions related to operations of the Lake Area Technical College bookstore. This fund is financed by user charges. This is not a major fund.
- LATC Food Service Fund – A fund used to record financial transactions related to operations of Lake Area Technical College’s food service operations. This fund is financed by user charges and grants. This is not a major fund.
- LATC Daycare Fund – A fund used to record financial transactions related to operations of Lake Area Technical College’s daycare facility. This fund is financed by user charges and grants. This is not a major fund.

Internal Service Funds: A fund used to report activities that provide goods or services to other funds, departments, or agencies of the School District and its component units, or to other governments, on a cost-reimbursement basis. Internal Service Funds are never considered to be major funds. The Self Insurance Fund is the only internal service fund maintained by the School District.

### **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 funds.

### **Basis of Accounting**

#### *Government-wide Financial Statements*

In the government-wide statement of net position and statement of activities, governmental, business-type, and component unit 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 fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 45 days for property tax receipts. Revenues from reimbursement grants and other similar reimbursement items are recognized when all eligibility requirements imposed by the provider have been met. State revenues are recognized in the year to which the revenue relates or applies. Under the modified accrual basis of accounting, receivables may be measurable but not available. 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 funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

### **Interfund Eliminations and Reclassifications**

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as internal balances.
2. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses" are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged in this manner, expense reductions occur in the respective funds so that expenses are reported only in the function to which they relate.

### **Deposits and Investments**

For the purpose of financial reporting, "cash and cash equivalents" for the School District includes all demand and savings accounts and certificates of deposit (as early redemption costs would be insignificant) or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-ended mutual fund shares, or similar investments in external investment pools, are also considered to be cash and cash equivalents.

Investments classified in the financial statements of the primary government consist of U.S. Treasuries, negotiable certificates of deposit, and money markets. The investments held by the component units, the LATC Foundation and Arrow Education Foundation, were not audited.

**Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1, and are payable in two installments on or before April 30 and October 31 of the following year. Approximately 50% is considered to be applied to finance the budget of the current fiscal year and the remaining percentage (50%) is considered to be applied to finance the budget for the subsequent year. 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. Current year property taxes receivable, which are not available as a resource that can be used to finance the current year's appropriations and, therefore, are not susceptible to accrual, have been reported as deferred inflows of resources in both fund financial statements and the government-wide financial statements.

**Inventory**

Inventory is stated at cost on the first-in, first-out (FIFO) basis. When individual inventory items are purchased they are recorded as assets. When they are consumed they are recorded as expenditures in governmental funds or expenses in proprietary funds. Although classified as current assets, these inventory balances are offset by nonspendable fund balance amounts which indicate that they do not constitute "available spendable resources" even though they are a component of net current assets. Inventories purchased by the Food Service Fund and LATC Food Service Fund are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at USDA's assigned values, which approximate fair value at the date of receipt. Expenses for food items are recorded when consumed.

**Capital Assets**

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations, and whether they are reported in the government-wide or fund financial statements.

*Government-wide Financial Statements*

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

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the 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*	Any Amount	*	*
Buildings and improvements	\$ 25,000	Straight-Line	10-50 years
Machinery and equipment	5,000	Straight-Line	3-20 years

\*Land, an inexhaustible capital asset, 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.

#### **Student Loans Receivable**

Student loans receivable are loans under the Perkins Loan Fund provided to students of Lake Area Technical College under the Perkins Loan program. The student loans receivable have been presented within accounts receivable in the governmental funds balance sheet. The student loans receivable is presented net of an allowance for doubtful amounts of \$112,183 as of June 30, 2022.

#### **Long-Term Liabilities**

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of early retirement benefits payable and capital outlay certificates payable.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenues and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is on the accrual basis, the same in the fund statement as it is in the government-wide statements.

#### **Cash and Cash Equivalents**

The School District pools some of its cash resources for depositing and investing purposes. Accordingly, the enterprise funds have access to their cash resources on demand. All reported deposit balances are considered to be cash equivalents for the purpose of the statement of cash flows.

**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.

**Proprietary Funds Revenue and Expense Classifications**

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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

**Equity Classifications****Government-Wide Statements**

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

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



**Fund Financial Statements**

Governmental fund equity is classified as fund balance, and is distinguished between nonspendable, restricted, committed, assigned, or unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements.

**Fund Balance Classification Policies and Procedures**

The School District classifies governmental fund balance 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 restraints.
- 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, which is the School Board, and does not lapse at year-end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the School Board or Business Manager.
- 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 nonspendable fund balance in the General Fund and the LATC Post Secondary Fund is comprised of inventory which is in a nonspendable form.

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 grant agreements requiring dollar-for-dollar spending. Additionally, the government would first use committed, then assigned, and, lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

The School District does not have a formal minimum fund balance policy.

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

Major Special Revenue Fund

Capital Outlay Fund  
Special Education Fund  
LATC Post Secondary Fund  
Financial Aid Fund

Revenue Source

Property taxes  
Grants and property taxes  
Tuition and fees and grants  
Grants

**Application of Net Position**

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

**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. The School District contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

**Deferred Outflows and Deferred Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The School District has three items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, changes in the net pension liability (asset) not included in pension expense reported in the government-wide statement of net position, and changes in the total OPEB liability included in health insurance expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has three types of items that qualify for reporting in this category. The School District reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Another item is changes in the net pension liability (asset) not included in pension expense reported in the government-wide statement of net position. The final item is changes in the total OPEB liability included in health insurance expense reported in the government-wide statement of net position.

**Implementation of GASB Statement No. 87**

As of July 1, 2021, the School District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain right-to-use leased assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard also requires lessors to recognize a lease receivable and deferred inflow of resources. As a result of implementing this standard, there was no needed right-of-use asset or lease liability required to be recognized at the implementation date as all existing leases had remaining terms of twelve months or less or were deemed immaterial as of the implementation date and, therefore, there was no effect on beginning net position.

**Note 2 - 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.

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

Custodial Credit Risk - Deposits – The risk that, in the event of a depository failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2022, the School District's bank balances were \$32,240,695, which includes various bank accounts. Of these deposits, \$296,856 was covered by the FDIC and the remaining balance was uninsured but collateralized with securities held by the pledging financial institution.

**Investments**

Investments – In general, SDCL 4-5-6 permits School District funds to be invested only in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or (c) 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 deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

The School District holds negotiable certificates of deposits, U.S. Treasuries and money market account funds as investments. As of June 30, 2022, the School District also has investments reported in the financial statements that are held by the two component units, the LATC Foundation and the Arrow Education Foundation, which were unaudited and are not included in the following:

	Moody's Credit Rating	Fair Value	Fair Value Level	Maturity (In Years)	
				Less Than 1	1 to 5
U.S. Treasuries	AAA	\$ 12,627,072	2	\$ 2,753,976	\$ 9,873,096
Money Market	Not Rated	1,644,531	1	1,644,531	-
Negotiable CDs	Not Rated	229,151	2	-	229,151

Negotiable certificates of deposit and U.S. Treasuries classified in level 2 of the fair value hierarchy are valued by the custodian of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market rate assumptions.

**Custodial Credit Risk - Investments** – The risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have an investment policy for custodial risk.

**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.

**Credit Risk** – State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk** – The School District places no limit on the amount that may be invested in any one issuer. More than 5% of the School District's investments are in U.S. Treasuries, which were approximately 87% of total investments.

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

**Note 3 - Due from Other Governments**

As of June 30, 2022, amounts due from other governments are as follows:

General Fund	
Due from federal sources	\$ 903,657
Due from state sources	258,098
Capital Outlay Fund	
Due from federal sources	391,637
Special Education Fund	
Due from federal sources	498,546
LATC Post Secondary Fund	
Due from federal sources	278,393
Due from state sources	881,166
Due from local sources	5,124
	<hr/>
Total due from other governments	<u><u>\$ 3,216,621</u></u>

**Note 4 - Changes in Capital Assets**

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

<u>Primary Government</u>	<u>Balance 6/30/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/22</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,586,820	\$ 453,376	\$ -	\$ 7,040,196
Construction work in process	8,926,401	9,977,802	985,826	17,918,377
Total not being depreciated	15,513,221	10,431,178	985,826	24,958,573
Capital assets, being depreciated:				
Buildings and improvements	83,870,562	2,128,811	-	85,999,373
Machinery and equipment	25,731,623	3,960,971	1,295,839	28,396,755
Total being depreciated	109,602,185	6,089,782	1,295,839	114,396,128
Less accumulated depreciation for:				
Buildings and improvements	34,106,602	1,961,693	-	36,068,295
Machinery and equipment	18,156,678	1,711,740	1,187,470	18,680,948
Total accumulated depreciation	52,263,280	3,673,433	1,187,470	54,749,243
Total capital assets being depreciated, net	57,338,905	2,416,349	108,369	59,646,885
Governmental activity capital assets, net	<u>\$ 72,852,126</u>	<u>\$ 12,847,527</u>	<u>\$ 1,094,195</u>	<u>\$ 84,605,458</u>
Governmental activities:				
Instruction				\$ 2,943,745
Support services				448,311
Co-curricular activities				281,377
Total depreciation expense - governmental activities				<u>\$ 3,673,433</u>
<u>Business-Type Activities</u>	<u>Balance 6/30/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/22</u>
Capital assets, being depreciated				
Machinery and equipment	\$ 603,490	\$ -	\$ -	\$ 603,490
Total being depreciated	603,490	-	-	603,490
Less accumulated depreciation for:				
Machinery and equipment	353,642	35,386	-	389,028
Total accumulated depreciation	353,642	35,386	-	389,028
Total capital assets being depreciated, net	249,848	(35,386)	-	214,462
Business-type activity capital assets, net	<u>\$ 249,848</u>	<u>\$ (35,386)</u>	<u>\$ -</u>	<u>\$ 214,462</u>
Business-type activities:				
Food service				\$ 32,507
Concessions				390
LATC food service				1,186
LATC daycare				1,303
Total depreciation expense - business-type activities				<u>\$ 35,386</u>

As of June 30, 2022, the School District had remaining commitments of approximately \$1,500,000 related to the Watertown High School Remodel Project, remaining commitments of approximately \$230,000 related to HVAC upgrades at the elementary schools and intermediate school, remaining commitments of approximately \$6,150,000 related to the Diesel Expansion project at LATC, and remaining commitments of approximately \$20,915,000 related to the Archway project at LATC.

## Note 5 - Long-Term Debt

A summary of changes in long-term debt follows:

	Amounts Outstanding 6/30/21	Issued	Retired	Amounts Outstanding 6/30/22	Due in One Year
Governmental Activities:					
Capital outlay certificates	\$ 35,470,000	\$ -	\$ (10,565,000)	\$ 24,905,000	\$ 1,440,000
Unamortized premium	3,868,368	-	(231,205)	3,637,163	231,205
Total debt	39,338,368	-	(10,796,205)	28,542,163	1,671,205
Early retirement	794,779	1,144,074	(785,106)	1,153,747	1,097,421
Total Primary Government	<u>\$ 40,133,147</u>	<u>\$ 1,144,074</u>	<u>\$ (11,581,311)</u>	<u>\$ 29,695,910</u>	<u>\$ 2,768,626</u>

Early retirement benefits payable for governmental activities typically have been liquidated from the General Fund and LATC Post Secondary Fund.

Long-term debt payable at June 30, 2022, is comprised of the following individual issues:

### Capital Outlay Certificates

Capital outlay certificates, series 2020, interest rate ranges from 3.00% to 5.00% and final maturity date of August 2041. Debt service payments made by the Capital Outlay Fund. \$ 12,340,000

Capital outlay certificates, series 2014, interest rate ranges from 3.00% to 4.00% and final maturity date of December 2026. Debt service payments made by the Capital Outlay Fund. 2,820,000

### Capital Outlay Refunding Certificates

Capital outlay refunding certificates, series 2016, interest rate ranges from 1.30% to 2.05% and final maturity date of December 2026. Debt services payments made by the Capital Outlay Fund. 880,000

Capital outlay refunding certificates, series 2017, interest rate ranges from 2.00% to 4.00% and final maturity date of August 2033. Debt service payments made by the Capital Outlay Fund. 8,865,000

### Early Retirement

Requires annual payments of not more than \$64,500 per individual with payment made from General Fund and LATC Post Secondary Fund. 1,153,747

Plus unamortized premiums 3,637,163

\$ 29,695,910

# Watertown School District No. 14-4

## Notes to Financial Statements

June 30, 2022

The annual requirements to maturity for all debt outstanding for governmental activities, excluding unamortized debt premiums, as of June 30, 2022, are as follows:

Year Ending June 30,	C.O. Certificates		Early Retirement		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 1,440,000	\$ 912,578	\$ 1,097,421	\$ -	\$ 2,537,421	\$ 912,578
2024	1,470,000	857,938	56,326	-	1,526,326	857,938
2025	1,565,000	804,778	-	-	1,565,000	804,778
2026	1,620,000	750,228	-	-	1,620,000	750,228
2027	1,510,000	690,601	-	-	1,510,000	690,601
2028-2032	7,975,000	2,455,825	-	-	7,975,000	2,455,825
2033-2037	5,955,000	894,100	-	-	5,955,000	894,100
2038-2041	3,370,000	205,950	-	-	3,370,000	205,950
	<u>\$ 24,905,000</u>	<u>\$ 7,571,998</u>	<u>\$ 1,153,747</u>	<u>\$ -</u>	<u>\$ 26,058,747</u>	<u>\$ 7,571,998</u>

### Note 6 - Leases

The School District leases the facilities for a portion of Lake Area Technical College from the South Dakota Board of Technical Education (the Board). The facilities were constructed by the South Dakota Health and Education Facilities Authority (the Authority) funded by proceeds from bonds issued. The Board leases the facilities from the Authority and then sub-leases the facilities to the School District. The lease agreement between the Board and the Authority calls for rental payments that coincide with the required debt service of the Authority. Currently, the rental payments are being paid from the facility fee fund account maintained by the trustee. The facility fee, as of June 30, 2022, is a \$36 per credit hour fee collected from each student attending the four vocational technical schools in South Dakota. These fees are remitted to the trustee for the purpose of making the lease rental payments to the Authority that ultimately retire the indebtedness of the Authority related to the facilities constructed at the various vocational technical schools. The original lease agreement between the Authority and the Board was dated August 1, 1988, and has since been amended and supplemented over the years adding additional Authority-financed projects as leased property and providing for the payment of lease rentals annually from the trust account sufficient to pay the debt service with respect to the additional bonds; however, the sub-lease agreement between the Board and the School District has not been amended and annually renews each July 1 for the ensuing year. As of June 30, 2022, it is anticipated that the facility fees held by the trustee will be sufficient to make the lease rental payments throughout the duration of the leased facilities.

### Note 7 - Restricted Net Position

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

Purpose	Restricted By	Amount
Capital Outlay	Law	\$ 10,055,566
Special Education	Law	688,422
SDRS pension benefits	Law	5,122,924
LATC Post Secondary	Law	8,587,259
Perkins Loan program	Law	274,248
Total restricted net position		<u>\$ 24,728,419</u>



**Note 8 - Early Retirement**

The School District has an early retirement plan providing cash benefits to any full-time salaried employee with at least fifteen years of full-time salaried service with the School District and who are between and/or inclusive of the ages of fifty-five and sixty-two as of June 30 or the application year. Employees who leave or have previously left the School District are not eligible for the benefit if they are re-employed after August 1, 2008. The cash benefit is equal to 75% of the individual employee's last contract salary, exclusive of extra duty and co-curricular salary, if any, unless the position with a sport/activity has been held for fifteen consecutive years immediately preceding retirement. The liability is recorded based upon the specified annual payments that are due and has not been discounted as the School District has determined the discount to not be material.

**Note 9 - Joint Venture**

The School District participates in the Northeast Technical High School, a cooperative service unit (Co-op) formed for the purpose of providing vocational training services to the member school districts.

The percentage participation in the Co-op and annual assessments is adjusted annually based upon each member school district's official state enrollment numbers from the previous school year. The members of the Co-op and their relative percentage participation in the Co-op as of June 30, 2022, are as follows:

Castlewood School District No. 28-1	4.37%
Florence School District No. 14-1	4.11%
Great Plains Lutheran School	6.68%
Hamlin School District No. 28-3	12.38%
Henry School District No. 14-2	2.67%
Summit School District No. 54-6	2.62%
Watertown School District No. 14-4	63.21%
Waverly South Shore School District 14-5	3.96%
	<hr/>
	100.00%
	<hr/>

The Co-op's governing board is composed of three members from the school board of the largest member school district and one member from the school board from each remaining member school district. The governing 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 explicit, measurable equity interest 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 the Co-op are available from the Northeast Technical High School.

At June 30, 2022, the Co-op had total assets of \$1,394,132, total liabilities of \$119,965, and net position of \$1,274,167.

## **Note 10 - Post-Employment Healthcare Plan**

### **Plan Description**

The School District has a single-employer, defined benefit healthcare plan administered by Wellmark, Inc. The plan provides medical insurance benefits to eligible retirees and their spouses as permitted by South Dakota Codified Law 6-1-16 and 13-10-3. Benefit provisions were established and may be amended during the negotiated agreement process between School District certified staff and the governing board. The health plan does not issue separately stated stand-alone financial statements.

### **Benefits Provided**

The contribution requirements of plan members and the School District are established and may be amended during the negotiated agreement process between the School District's certified staff and the governing board. A full-time salaried employee who retires from the School District may be eligible for retiree health insurance coverage if they were hired prior to August 1, 2008. Employees hired after August 1, 2008, are not eligible for OPEB. Employees who leave or have previously left the School District are not eligible for retirement benefits if they are re-employed after August 1, 2008. Coverage also ceases when the retiree attains the age of 65. The retiree is responsible for 100% of the full active premium rates for either single or family coverage.

### **Funding Policy**

The School District funds the OPEB benefits on a pay-as-you-go basis; therefore, the School District's obligation is unfunded at June 30, 2022. There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

### **Employees Covered by Benefit Terms**

At the valuation date of July 1, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	38
Active employees	210
	<hr/>
	248
	<hr/>

### **Total OPEB Liability**

The School District's total OPEB liability of \$1,941,788 was measured as of June 30, 2022, and was determined by an actuarial valuation as of July 1, 2020.

**Actuarial Assumptions**

The total OPEB liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	6.50% at entry to 3.00% after 25 years of service
Discount rate	3.54% *
Healthcare cost trend rates	6.75% for FY22 then reduced by .25% to ultimate rate of 4.00%

\*Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

The plan has not had a formal actuarial experience study performed.

**Other Assumptions**

Mortality	97% of RP-2014 Mortality Table, white collar table for females and total dataset table for males, adjusted to 2006 and projected generationally with MP-2016
Future Retiree Participation Rate	65%
Initial Spouse Participation Rate	35%
Age Difference	Husbands are assumed to be the same age as their wife
Turnover	Rates based on select and ultimate table with rates based on service for the first five years of employment and rates based on age after five years of employment
Disability	None assumed

Balance at June 30, 2021	\$ 2,232,786
Service cost	74,913
Interest cost	48,401
Changes of benefit terms	-
Difference between expected and actual experience	(141,254)
Changes of assumptions	(138,556)
Benefit payments	(134,502)
Total changes	(290,998)
Balance at June 30, 2022	<u>\$ 1,941,788</u>

**Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Discount rate	2.54%	3.54%	4.54%
Total OPEB Liability	\$ 2,041,911	\$ 1,941,788	\$ 1,845,107

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rate 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rate:

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Selected Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
Healthcare trend rate	5.75%	6.75%	7.75%
Total OPEB Liability	\$ 1,813,342	\$ 1,941,788	\$ 2,084,140

**OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB**

For the year ended June 30, 2022, the School District recognized a decrease of health insurance expense of \$258,472 due to OPEB. At June 30, 2022, the School District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 31,873	\$ 610,184
Changes of assumptions	182,493	343,337
Total	<u>\$ 214,366</u>	<u>\$ 953,521</u>

Deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ended June 30,</u>	<u>OPEB Expense</u>
2023	\$ 239,636
2024	280,566
2025	212,927
2026	6,026
2027	-
Thereafter	-
	<u>\$ 739,155</u>

#### **Note 11 - Litigation**

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

#### **Note 12 - Risk Management**

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

##### **Employee Health Insurance**

The School District has established a self-insurance fund for the purpose of paying claims of the employee group health care benefit plan. Premiums are paid by both the School District and the School District's employees and are charged against the appropriate fund. Excess loss insurance is provided through private insurance carriers for claims exceeding \$100,000 per individual and \$5,176,070 or 125% of expected paid claims in aggregate losses for each plan year. At June 30, 2022, an estimated liability of \$644,939 was accrued for incurred but not reported claims. This estimate was based on information obtained from the plan's third-party administrator. The self-insurance fund is reported as an internal service fund in these financial statements. The School District is responsible for deficiencies, if any, resulting from claims paid in excess of premiums received. At June 30, 2022, the health insurance internal service fund had a net position balance of \$5,475,871.

The following is a history of the claims activity for the fund for the years ended June 30, 2022, 2021, and 2020, respectively.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Amount of claim liabilities, beginning of year	\$ 623,789	\$ 827,803	\$ 709,221
Incurred claims	7,421,651	5,978,657	5,833,099
Claims paid	(7,108,563)	(6,182,671)	(5,714,517)
Amount of claim liabilities, end of year	<u>\$ 936,877</u>	<u>\$ 623,789</u>	<u>\$ 827,803</u>

**Workers' Compensation Insurance**

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provide workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop and administer, on behalf of the member organizations, a program of workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to, and cooperate with, the Fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide workers' compensation coverage for its employees, under a retrospectively rated policy, and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool-retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual, per incident.

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

**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.

**Unemployment Benefits**

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the year ended June 30, 2022, no claims were filed for unemployment benefits. At June 30, 2022, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

**Note 13 - Pension Plan****Plan Information**

All employees working more than 20 hours per week during the year participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple-employer, defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <https://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, PO 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 retirement benefits 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 the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater than or equal to the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater than 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. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2022, 2021, and 2020, were \$2,116,157, \$2,079,919, and \$1,983,411, respectively, equal to the required contributions each year.

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

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

Proportionate share of total pension liability	\$ 211,817,402
Less proportionate share of net position restricted for pension benefits	<u>223,515,912</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (11,698,510)</u></u>

At June 30, 2022, the School District reported a liability (asset) of (\$11,698,510) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021, and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the School District's proportion was 1.5275620%, which is an increase of .0213594% from its proportion measured as of June 30, 2020.



For the year ended June 30, 2022, the School District recognized a reduction of pension expense of \$3,055,422. At June 30, 2022, 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	\$ 420,007	\$ 30,671
Changes in assumption	13,453,168	5,858,445
Net difference between projected and actual earnings on pension plan investments	-	16,711,556
Changes in proportion and difference between School District contributions and proportionate share of contributions	35,754	-
School District contributions subsequent to the measurement date	2,116,157	-
Total	<u>\$ 16,025,086</u>	<u>\$ 22,600,672</u>

There is \$2,116,157 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date. This will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:	Amount
2023	\$ (2,128,180)
2024	(1,454,077)
2025	(408,222)
2026	(4,701,264)
Total	<u>\$ (8,691,743)</u>

### Actuarial Assumptions

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

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

Mortality rates are 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, 2021, 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%
Total	<u>100.0%</u>	

#### **Discount Rate**

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that employee 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)	\$ 18,942,799	\$ (11,698,510)	\$ (36,572,121)

**Pension Plan Fiduciary Net Position**

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

**Note 14 - Interfund Balances and Interfund Transfers**

At June 30, 2022, the following funds had interfund balances:

- The Food Service Fund has a due from the LATC Daycare Fund in the amount of \$2,869.
- The Bookstore Fund has a due from the LATC Post Secondary Fund in the amount of \$11,140.
- The LATC Food Service Fund has a due from the LATC Post Secondary Fund of \$11,743.

The purpose of the interfund balances is for reimbursement of expenses that were incurred during 2022 but not reimbursed until subsequent to June 30, 2022.

During the year ended June 30, 2022, the following interfund transfers occurred:

- The LATC Post Secondary Fund transferred \$15,000 to the Financial Aid Fund to cover certain operating expenses.



Required Supplementary Information  
June 30, 2022

## Watertown School District No. 14-4

Watertown School District No. 14-4  
Schedule of Changes in the District's Total OPEB Liability and Related Ratios  
Year Ended June 30, 2022

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	2022	2021	2020	2019
Service cost	\$ 74,913	\$ 82,209	\$ 111,696	\$ 108,198
Interest	48,401	52,830	113,690	118,609
Difference between expected and actual experience	(141,254)	(908,081)	-	119,057
Changes of assumptions	(138,556)	(430,472)	255,710	296,745
Benefit payments	(134,502)	(118,842)	(124,076)	(114,872)
Net change in total OPEB liability	(290,998)	(1,322,356)	357,020	527,737
Total OPEB liability - beginning	2,232,786	3,555,142	3,198,122	2,670,385
Total OPEB liability - ending	<u>\$ 1,941,788</u>	<u>\$ 2,232,786</u>	<u>\$ 3,555,142</u>	<u>\$ 3,198,122</u>
Covered-employee payroll	\$ 11,147,044	\$ 11,612,670	\$ 13,608,038	\$ 14,158,927
District's total OPEB liability as a percentage of covered-employee payroll	17.42%	19.23%	26.13%	22.59%

\*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

**Plan Assets**

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

**Benefit Provision Changes**

None.

**Changes in Assumptions**

Since the last valuation, the following changes of assumptions have been made:

- Medical plan(s) and premiums have been updated effective as of January 1, 2022.
- The discount rates have been updated through the June 30, 2022, reporting date.
- Retiree per capita claims costs and contributions were reset to reflect updated experience, plan(s), and premiums through January 1, 2022.
- Decrement assumptions (i.e. withdrawal, retirement and mortality rates) have been updated to be the assumptions used in the SDRS June 30, 2020, actuarial valuation for Class A Teachers/Administration (Certified) Members and Class A Non-Teachers/Administration (Non-Certified) Members groups.
- Medical trend rates were reset to reflect updated cost increase expectations.
- 65.0% of employees are assumed to elect coverage at retirement (changed from 82.0% based on recent experience).

Watertown School District No. 14-4  
 Budgetary Comparison Schedule – Budgetary Basis – General Fund  
 Year Ended June 30, 2022

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 9,807,255	\$ 9,807,255	\$ 10,054,388	\$ 247,133
1120 Prior year's ad valorem taxes	35,000	35,000	30,781	(4,219)
1140 Gross receipts taxes	350,000	350,000	266,745	(83,255)
1190 Penalties and interest on taxes	25,000	25,000	13,807	(11,193)
1210 Revenue in lieu of taxes	8,000	8,000	9,933	1,933
1500 Earnings (losses) on investments and deposits	55,000	55,000	(131,549)	(186,549)
1700 Co-curricular activities:				
1710 Admissions	80,000	80,000	60,455	(19,545)
1790 Other student activity income	42,000	42,000	342,656	300,656
1900 Other revenue from local sources:				
1910 Rentals	142,500	142,500	123,536	(18,964)
1970 Charges for services	40,000	40,000	55,747	15,747
1990 Other	252,915	266,075	421,264	155,189
2000 Revenue from intermediate sources				
2100 County sources:				
2110 County apportionment	430,000	430,000	438,757	8,757
2200 Revenue in lieu of taxes	20,000	20,000	19,869	(131)
3000 Revenue from state sources				
3100 Grants-in-aid:				
3110 Unrestricted grants-in-aid	14,155,000	14,155,000	13,725,019	(429,981)
3120 Restricted grants-in-aid	36,125	36,125	39,935	3,810
3900 Other state revenue	12,000	12,000	6,789	(5,211)
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4130 Unrestricted grants-in-aid received from federal government through an intermediate source	3,500	3,500	-	(3,500)
4150-4199 Restricted grants-in-aid received from federal government through the state	1,175,780	1,883,815	1,786,283	(97,532)
4900 Other federal revenue	85,000	85,000	64,845	(20,155)
Total revenues	26,755,075	27,476,270	27,329,260	(147,010)

Watertown School District No. 14-4  
 Budgetary Comparison Schedule – Budgetary Basis – General Fund  
 Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary schools	8,457,802	8,556,372	8,111,794	444,578
1120 Middle/junior high schools	2,386,272	2,399,912	2,283,600	116,312
1130 High school	4,585,833	4,599,473	4,468,331	131,142
1140 Preschool services	70,540	70,540	68,883	1,657
1200 Special programs:				
1210 Gifted and talented	113,780	113,780	94,065	19,715
1250 Culturally different	122,625	122,625	119,403	3,222
1270 Educationally deprived	540,800	540,800	484,199	56,601
1290 Other special programs	486,900	486,900	433,918	52,982
2000 Support services				
2100 Pupils:				
2110 Attendance and social work	281,770	281,770	263,214	18,556
2120 Guidance	806,235	806,235	732,171	74,064
2130 Health	267,865	267,865	253,879	13,986
2200 Support services - instructional staff:				
2210 Improvement of instruction	542,370	765,600	723,176	42,424
2220 Educational media	1,094,130	1,094,130	1,008,044	86,086
2300 Support services - general administration:				
2310 Board of education	105,820	107,720	83,515	24,205
2320 Executive administration	560,955	560,955	545,168	15,787
2400 Support services - school administration:				
2410 Office of the principal	1,883,415	1,883,415	1,843,619	39,796
2440 Title I program administration	40,710	42,360	42,353	7
2490 Other support services	5,000	18,160	17,755	405
2500 Support services - business:				
2520 Fiscal services	536,635	536,635	541,875	(5,240)
2540 Operation and maintenance of plant	2,925,862	2,925,862	2,729,682	196,180
2550 Pupil transportation	1,089,000	1,089,000	966,414	122,586
2600 Support services - central:				
2620 Planning	83,945	83,945	50,418	33,527
3000 Community services				
3700 Nonpublic school	97,420	97,420	90,862	6,558
4000 Nonprogrammed costs				
4400 Payments to state - unemployment	35,000	35,000	-	35,000
4500 Early retirement payments	504,555	504,555	504,555	-
6000 Co-curricular activities				
6100 Male activities	213,885	213,885	216,477	(2,592)
6200 Female activities	200,967	200,967	218,330	(17,363)
6500 Transportation	139,000	139,000	176,420	(37,420)
6900 Combined activities	660,990	660,990	1,108,864	(447,874)
Total expenditures	28,840,081	29,205,871	28,180,984	1,024,887
Excess of Revenue over (under) Expenditures	(2,085,006)	(1,729,601)	(851,724)	877,877



Watertown School District No. 14-4  
 Budgetary Comparison Schedule – Budgetary Basis – General Fund  
 Year Ended June 30, 2022

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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Sources (Uses)				
5110 Transfers in	1,200,000	549,300	-	(549,300)
8110 Transfers out	(100,000)	(100,000)	-	100,000
Total other financing sources	1,100,000	449,300	-	(449,300)
Net Change in Fund Balances	(985,006)	(1,280,301)	(851,724)	428,577
Fund Balance - Beginning	8,793,021	8,793,021	8,793,021	-
Fund Balance - Ending	<u>\$ 7,808,015</u>	<u>\$ 7,512,720</u>	<u>\$ 7,941,297</u>	<u>\$ 428,577</u>

Watertown School District No. 14-4  
 Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund  
 Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 6,875,900	\$ 6,875,900	\$ 6,853,458	\$ (22,442)
1120 Prior year's ad valorem taxes	25,000	25,000	21,191	(3,809)
1190 Penalties and interest on taxes	10,000	10,000	9,579	(421)
1500 Earnings (losses) on investments and deposits	410,000	410,000	(107,975)	(517,975)
1900 Other revenue from local sources:				
1990 Other	10,000	64,000	117,720	53,720
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4150-4199 Restricted grants-in-aid received from federal government through the state	2,472,000	2,996,610	2,420,372	(576,238)
4900 Other federal revenue	63,000	63,000	63,096	96
Total revenues	9,865,900	10,444,510	9,377,441	(1,067,069)
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary schools	1,395,000	1,895,000	1,167,043	727,957
1120 Middle/junior high schools	42,000	42,000	30,663	11,337
1130 High school	692,000	773,235	352,214	421,021
1200 Special programs:				
1220 Programs for special education	17,000	17,000	5,996	11,004
2000 Support services				
2200 Support services - instructional staff:				
2220 Educational media	10,000	10,000	10,000	-
2300 Support services - general administration:				
2320 Executive administration	5,000	5,000	-	5,000
2500 Support services - business:				
2520 Fiscal services	16,000	16,000	19,311	(3,311)
2530 Facilities acquisition and construction	210,000	210,000	144,596	65,404
2540 Operation and maintenance of plant	9,552,100	9,586,885	7,746,602	1,840,283
2550 Pupil transportation	280,500	290,500	282,200	8,300
5000 Debt services	3,253,235	13,010,598	11,950,025	1,060,573
6000 Co-curricular activities				
6900 Combined activities	438,000	473,000	487,685	(14,685)
Total expenditures	15,910,835	26,329,218	22,196,335	4,132,883
Excess of Revenue over (under) Expenditures	(6,044,935)	(15,884,708)	(12,818,894)	3,065,814
Other Financing Sources (Uses)				
8110 Transfers out	(1,200,000)	(1,200,000)	-	1,200,000
5130 Sale of surplus property	85,000	85,000	37,810	(47,190)
Total other financing sources	(1,115,000)	(1,115,000)	37,810	1,152,810
Net Change in Fund Balances	(7,159,935)	(16,999,708)	(12,781,084)	4,218,624
Fund Balance - Beginning	22,819,378	22,819,378	22,819,378	-
Fund Balance - Ending	\$ 15,659,443	\$ 5,819,670	\$ 10,038,294	\$ 4,218,624

Watertown School District No. 14-4  
Budgetary Comparison Schedule – Budgetary Basis – Special Education Fund  
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 3,588,815	\$ 3,588,815	\$ 4,139,343	\$ 550,528
1120 Prior year's ad valorem taxes	13,200	13,200	12,199	(1,001)
1190 Penalties and interest on taxes	6,000	6,000	5,648	(352)
1300 Tuition and fees:				
1310 Regular day school tuition	15,000	15,000	-	(15,000)
1500 Earnings (losses) on investments and deposits	6,000	6,000	(15,821)	(21,821)
1900 Other revenue from local sources:				
1970 Charges for services	75,000	75,000	58,109	(16,891)
1990 Other	1,000	1,000	5,391	4,391
3000 Revenue from state sources				
3100 Grants-in-aid:				
3120 Restricted grants-in-aid	1,936,275	1,936,275	1,869,556	(66,719)
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4150-4199 Restricted grants-in-aid received from federal government through the state	919,900	919,900	1,212,689	292,789
Total revenues	<u>6,561,190</u>	<u>6,561,190</u>	<u>7,287,114</u>	<u>725,924</u>
Expenditures				
1000 Instruction				
1200 Special programs:				
1220 Programs for special education	4,802,775	4,928,430	4,896,209	32,221
1230 Coordinated early intervening services instruction	17,625	17,625	-	17,625
2000 Support services				
2100 Pupils:				
2130 Health	182,595	182,595	141,145	41,450
2140 Psychological	351,705	351,705	267,298	84,407
2150 Speech pathology	760,785	760,785	709,738	51,047
2160 Audiology services	15,000	15,000	8,202	6,798
2170 Student therapy services	459,270	459,270	421,420	37,850
2180 Orientation and mobility services	-	-	45	(45)
2200 Support services - instructional staff:				
2210 Improvement of instruction	90,125	164,625	155,374	9,251
2220 Educational media	22,000	22,000	24,056	(2,056)
2600 Support services - central:				
2620 Planning	24,985	24,985	-	24,985
2700 Support services - special education:				
2710 Administrative costs	193,935	193,935	187,806	6,129
2730 Transportation costs	139,865	139,865	111,396	28,469
2750 Other special education costs	82,500	82,500	57,758	24,742
Total expenditures	<u>7,143,165</u>	<u>7,343,320</u>	<u>6,980,447</u>	<u>362,873</u>
Excess of Revenue over (under) Expenditures	<u>(581,975)</u>	<u>(782,130)</u>	<u>306,667</u>	<u>1,088,797</u>
Net Change in Fund Balances	(581,975)	(782,130)	306,667	1,088,797
Fund Balance - Beginning	371,533	371,533	371,533	-
Fund Balance - Ending	<u>\$ (210,442)</u>	<u>\$ (410,597)</u>	<u>\$ 678,200</u>	<u>\$ 1,088,797</u>

Watertown School District No. 14-4  
 Budgetary Comparison Schedule – Budgetary Basis – LATC Post Secondary Fund  
 Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1400 Post secondary program tuition and fees	\$ 7,440,000	\$ 7,440,000	\$ 7,464,572	\$ 24,572
1500 Earnings (losses) on investments and deposits	100,000	100,000	(138,265)	(238,265)
1700 Co-curricular activities:				
1800 Post secondary:				
1820 Resales/services - occupational programs	176,500	186,500	336,328	149,828
1830 Resales/services - parts department	193,000	193,000	257,061	64,061
1840 State fees	717,225	717,225	694,163	(23,062)
1850 Corporate education fees	230,000	230,000	335,874	105,874
1860 Local fees	3,636,210	3,636,210	3,865,298	229,088
1900 Other revenue from local sources:				
1910 Rentals	228,000	228,000	277,169	49,169
1920 Contributions and donations	147,380	147,380	272,183	124,803
1990 Other	440,000	440,000	842,743	402,743
3000 Revenue from state sources				
3100 Grants-in-aid:				
3110 Unrestricted grants-in-aid	7,254,740	7,254,740	7,079,124	(175,616)
3120 Restricted grants-in-aid	3,087,075	3,087,075	3,725,568	638,493
3900 Other state revenue	354,660	420,480	1,207,209	786,729
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4150-4199 Restricted grants-in-aid received from federal government through the state	857,250	2,965,950	3,097,120	131,170
4900 Other federal revenue	-	-	2,064	2,064
Total revenues	24,862,040	27,046,560	29,318,211	2,271,651

Watertown School District No. 14-4  
Budgetary Comparison Schedule – Budgetary Basis – LATC Post Secondary Fund  
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
1000 Instruction				
1300 Adult continuing education programs:				
1390 Other adult continuing education programs	195,845	195,845	187,302	8,543
1500-1999 Post secondary occupational programs	15,267,238	16,686,428	15,623,029	1,063,399
2000 Support services				
2100 Pupils:				
2120 Guidance	2,052,080	3,204,080	3,172,102	31,978
2200 Support services - instructional staff:				
2210 Improvement of instruction	525,410	651,745	638,554	13,191
2220 Educational media	1,413,960	1,910,160	1,674,492	235,668
2300 Support services - general administration:				
2310 Board of education	51,830	51,830	39,012	12,818
2320 Executive administration	309,535	309,535	302,279	7,256
2400 Support services - school administration:				
2420 Vocational school - directors office	867,635	867,635	757,860	109,775
2430 Financial aid administration	355,660	355,660	320,906	34,754
2490 Other support services	294,515	294,515	282,038	12,477
2500 Support services - business:				
2520 Fiscal services	281,967	281,967	269,884	12,083
2530 Facilities acquisition and construction	2,429,180	5,547,925	4,890,482	657,443
2540 Operation and maintenance of plant	2,135,760	2,265,410	2,018,704	246,706
2800 Resale services:				
2810 Post secondary resales/service	40,000	40,000	8,958	31,042
2820 RIS - precision production	252,637	337,637	345,616	(7,979)
2900 Other support services	15,000	15,000	21,586	(6,586)
4000 Nonprogrammed charges				
4400 Payments to state - unemployment	5,000	5,000	-	5,000
4500 Early retirement payments	284,290	284,290	284,287	3
4900 Other nonprogrammed costs	-	-	1,404	(1,404)
6000 Co-curricular activities				
6900 Combined activities	-	-	88,704	(88,704)
Total expenditures	26,777,542	33,304,662	30,927,199	2,377,463
Excess of Revenue over Expenditures	(1,915,502)	(6,258,102)	(1,608,988)	4,649,114
Other Financing Sources (Uses)				
8110 Transfers out	-	-	(15,000)	(15,000)
5130 Sale of surplus property	60,857	60,857	50,488	(10,369)
Total other financing sources	60,857	60,857	35,488	(25,369)
Net Change in Fund Balances	(1,854,645)	(6,197,245)	(1,573,500)	4,623,745
Fund Balance - Beginning	10,160,759	10,160,759	10,160,759	-
Fund Balance - Ending	\$ 8,306,114	\$ 3,963,514	\$ 8,587,259	\$ 4,623,745

Watertown School District No. 14-4  
 Budgetary Comparison Schedule – Budgetary Basis – Financial Aid Fund  
 Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1500 Earnings on investments and deposits	\$ 1,800	\$ 1,800	\$ -	\$ (1,800)
1900 Other revenue from local sources:				
1990 Other	182,000	182,000	27,534	(154,466)
3000 Revenue from state sources				
3100 Grants-in-aid:				
3120 Restricted grants-in-aid	91,850	91,850	91,109	(741)
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4140 Restricted grants-in-aid received directly from federal government	15,389,850	15,389,850	13,115,636	(2,274,214)
Total revenues	15,665,500	15,665,500	13,234,279	(2,431,221)
Expenditures				
4000 Nonprogrammed charges				
4200 Student financial aid	15,665,500	15,665,500	13,242,944	2,422,556
Total expenditures	15,665,500	15,665,500	13,242,944	2,422,556
Excess of Revenue over Expenditures	-	-	(8,665)	(8,665)
Other Financing Sources (Uses)				
5110 Transfers in	-	-	15,000	(15,000)
Total other financing sources	-	-	15,000	(15,000)
Net Change in Fund Balances	-	-	6,335	(23,665)
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ 6,335	\$ (23,665)

**Note 1 - Budgets 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 School Board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
6. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in Number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% of the total School District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when money is available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
11. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**Note 2 - U.S. GAAP and Budgetary Accounting Basis Differences**

The School District is reporting financial position, results of operations, and changes in fund balances on the basis of GAAP, while the budgetary comparison schedules are presented on the budgetary basis to provide meaningful comparison of actual results with the budget. There are no major differences between the budgetary basis and the GAAP basis presented.

Watertown School District No. 14-4  
Schedule of Employer's Share of Net Pension Liability (Asset)  
Year Ended June 30, 2022

Pension Plan	Fiscal Year Ending	Employer's Percentage of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
SDRS	6/30/2022	1.5276%	\$ (11,698,510)	\$ 34,635,807	-33.8%	105.52%
SDRS	6/30/2021	1.5062%	(65,414)	33,028,183	-0.2%	100.04%
SDRS	6/30/2020	1.5163%	(160,684)	32,173,075	-0.5%	100.09%
SDRS	6/30/2019	1.5309%	(35,703)	31,818,773	-0.1%	100.02%
SDRS	6/30/2018	1.5315%	(138,984)	31,084,082	-0.4%	100.10%
SDRS	6/30/2017	1.4677%	4,957,654	27,889,214	17.8%	96.89%
SDRS	6/30/2016	1.4888%	(6,314,461)	27,170,807	-23.2%	104.10%
SDRS	6/30/2015	1.4482%	(10,433,894)	25,294,680	-41.2%	107.30%

\*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

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



Watertown School District No. 14-4  
Schedule of Employer's Contributions  
Year Ended June 30, 2022

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<u>Pension Plan</u>	<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered Payroll (d)</u>	<u>Contributions as a Percentage of Covered Payroll (b/d)</u>
SDRS	6/30/2022	\$ 2,116,157	\$ 2,116,157	-	\$ 35,248,226	6.0%
SDRS	6/30/2021	2,079,919	2,079,919	-	34,635,807	6.0%
SDRS	6/30/2020	1,983,411	1,983,411	-	33,028,183	6.0%
SDRS	6/30/2019	1,934,456	1,934,456	-	32,173,075	6.0%
SDRS	6/30/2018	1,909,134	1,909,134	-	31,818,773	6.0%
SDRS	6/30/2017	1,866,698	1,866,698	-	31,084,082	6.0%
SDRS	6/30/2016	1,673,671	1,673,671	-	27,889,214	6.0%
SDRS	6/30/2015	1,630,885	1,630,885	-	27,170,807	6.0%

\*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

### **Changes from Prior Valuation**

The June 30, 2021 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2020 Actuarial Valuation. One change in actuarial assumptions and 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 2021 reduced the minimum SDRS COLA from 0.5% to 0%. This change will impact the SDRS COLA only when inflation is very low or when a restricted maximum COLA of 0.5% is not affordable. The change had no impact on the current assets or liabilities of SDRS.

#### **Actuarial Assumption Changes**

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

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

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

#### **Actuarial Method Changes**

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



Supplementary Information  
June 30, 2022

## Watertown School District No. 14-4

Watertown School District No. 14-4  
Combining Balance Sheets – Nonmajor Governmental Funds  
June 30, 2022

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	Perkins Fund	Arrow Education Foundation	Totals
<b>Assets</b>			
101 Cash and cash equivalents	\$ 46,910	\$ 224,715	\$ 271,625
180 Investments	-	2,861,889	2,861,889
120 Accounts receivable, net	227,338	-	227,338
192 Prepaid expenses	-	2,000	2,000
	<u>\$ 274,248</u>	<u>\$ 3,088,604</u>	<u>\$ 3,362,852</u>
<b>Liabilities</b>			
402 Accounts payable	\$ -	\$ 11,233	\$ 11,233
Total liabilities	<u>-</u>	<u>11,233</u>	<u>11,233</u>
<b>Fund Balances</b>			
720 Restricted for:			
Perkins	274,248	-	274,248
Arrow Education Foundation	-	3,077,371	3,077,371
Total fund balances	<u>274,248</u>	<u>3,077,371</u>	<u>3,351,619</u>
	<u>\$ 274,248</u>	<u>\$ 3,088,604</u>	<u>\$ 3,362,852</u>

Watertown School District No. 14-4  
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor  
Governmental Funds  
Year Ended June 30, 2022

	Perkins Fund	Arrow Education Foundation	Totals
Revenues			
1000 Revenue from local sources			
1500 Earnings (losses) on investments and deposits	\$ 8	\$ (189,253)	\$ (189,245)
1800 Post secondary:			
1860 Local fees	806	-	806
1900 Other revenue from local sources:			
1920 Contributions and donations	-	239,971	239,971
1990 Other	-	56,449	56,449
Total revenues	<u>814</u>	<u>107,167</u>	<u>107,981</u>
Expenditures			
2000 Support services			
2500 Support services - business:			
2520 Fiscal services	-	125,676	125,676
2590 Other	73,642	17,543	91,185
4000 Nonprogrammed charges			
4200 Student financial aid	119,035	-	119,035
4900 Other nonprogrammed costs	-	193,076	193,076
Total expenditures	<u>192,677</u>	<u>336,295</u>	<u>528,972</u>
Excess of Revenue over (under) Expenditures	<u>(191,863)</u>	<u>(229,128)</u>	<u>(420,991)</u>
Net Change in Fund Balances	(191,863)	(229,128)	(420,991)
Fund Balance - Beginning	<u>466,111</u>	<u>3,306,499</u>	<u>3,772,610</u>
Fund Balance - Ending	<u>\$ 274,248</u>	<u>\$ 3,077,371</u>	<u>\$ 3,351,619</u>

Watertown School District No. 14-4  
Combining Statements of Net Position – Nonmajor Proprietary Funds  
June 30, 2022

	Enterprise Funds							Totals
	Food Service Fund	Concessions Fund	Drivers Education Fund	Pre-School Services Fund	Bookstore Fund	LATC Food Service Fund	LATC Daycare Fund	
Assets								
Current assets								
101 Cash and cash equivalents	\$ 792,632	\$ 30,894	\$ 4,693	\$ 13,391	\$ 804,468	\$ 148,555	\$ 233,202	\$ 2,027,835
180 Investments	325,792	7,350	521	9,488	635,742	99,740	83,372	1,162,005
120 Accounts receivable	-	-	-	-	158,102	-	3,487	161,589
130 Due from other fund	2,869	-	-	-	11,140	11,743	-	25,752
140 Due from other governments	-	-	-	-	-	-	12,135	12,135
170 Inventory of supplies	19,298	2,145	-	-	-	1,772	-	23,215
171 Inventory of stores purchased for resale	3,765	-	-	-	451,854	6,056	-	461,675
172 Inventory of donated food	215	-	-	-	-	-	-	215
192 Prepaid expenses	-	-	-	-	141,718	-	-	141,718
Total current assets	<u>1,144,571</u>	<u>40,389</u>	<u>5,214</u>	<u>22,879</u>	<u>2,203,024</u>	<u>267,866</u>	<u>332,196</u>	<u>4,016,139</u>
Noncurrent assets								
196 Net pension asset	189,039	8,530	7,151	2,273	57,671	41,616	47,788	354,068
200 Capital assets								
204 Machinery and equipment - local funds	543,789	5,847	-	-	12,979	27,842	13,034	603,491
Less accumulated depreciation	<u>(350,211)</u>	<u>(3,801)</u>	<u>-</u>	<u>-</u>	<u>(12,979)</u>	<u>(18,345)</u>	<u>(3,693)</u>	<u>(389,029)</u>
Total noncurrent assets	<u>382,617</u>	<u>10,576</u>	<u>7,151</u>	<u>2,273</u>	<u>57,671</u>	<u>51,113</u>	<u>57,129</u>	<u>568,530</u>
Deferred outflows of resources								
252 Pension related deferred outflows	<u>258,954</u>	<u>11,685</u>	<u>9,795</u>	<u>3,114</u>	<u>79,000</u>	<u>57,008</u>	<u>65,462</u>	<u>485,018</u>
	<u>\$ 1,786,142</u>	<u>\$ 62,650</u>	<u>\$ 22,160</u>	<u>\$ 28,266</u>	<u>\$ 2,339,695</u>	<u>\$ 375,987</u>	<u>\$ 454,787</u>	<u>\$ 5,069,687</u>

Watertown School District No. 14-4  
Combining Statements of Net Position – Nonmajor Proprietary Funds  
June 30, 2022

	Enterprise Funds							
	Food Service Fund	Concessions Fund	Drivers Education Fund	Pre-School Services Fund	Bookstore Fund	LATC Food Service Fund	LATC Daycare Fund	Totals
Liabilities and Net Position								
Liabilities								
400 Current liabilities:								
402 Accounts payable	\$ 15,198	\$ -	\$ 3,436	\$ -	\$ 336,139	\$ 5,172	\$ 2,450	\$ 362,395
404 Contracts payable	3,863	-	-	1,151	-	2,180	12,159	19,353
410 Due to other fund	-	-	-	-	-	-	2,869	2,869
450 Payroll deductions and withholdings and employer matching payable	526	-	-	334	-	293	3,059	4,212
471 Deposits payable	100,591	-	-	-	-	-	-	100,591
475 Unearned revenue	508	-	-	-	461,676	-	-	462,184
Total current liabilities	120,686	-	3,436	1,485	797,815	7,645	20,537	951,604
Deferred inflows of resources								
554 Pension related deferred inflows	365,210	16,480	13,814	4,391	111,416	80,400	92,323	684,034
Net Position								
706 Net investment in capital assets	193,578	2,046	-	-	-	9,497	9,341	214,462
707.2 Restricted for pension benefits	82,783	3,735	3,132	996	25,255	18,224	20,927	155,052
708 Unrestricted net position	1,023,885	40,389	1,778	21,394	1,405,209	260,221	311,659	3,064,535
Total net position	1,300,246	46,170	4,910	22,390	1,430,464	287,942	341,927	3,434,049
	<u>\$ 1,786,142</u>	<u>\$ 62,650</u>	<u>\$ 22,160</u>	<u>\$ 28,266</u>	<u>\$ 2,339,695</u>	<u>\$ 375,987</u>	<u>\$ 454,787</u>	<u>\$ 5,069,687</u>

**Watertown School District No. 14-4**  
**Combining Statements of Revenues, Expenses, and Changes in Net Position – Nonmajor Proprietary Funds**  
**Year Ended June 30, 2022**

	Enterprise Funds							Totals
	Food Service Fund	Concessions Fund	Drivers Education Fund	Pre-School Services Fund	Bookstore Fund	LATC Food Service Fund	LATC Daycare Fund	
Operating Revenues								
Sales								
1340 Preschool tuition	\$ -	\$ -	\$ -	\$ 12,490	\$ -	\$ -	\$ -	\$ 12,490
1610 To pupils	2,379	-	43,283	-	-	598,840	-	644,502
1620 To adults	5,787	-	-	-	-	-	-	5,787
1630 Ala carte	13,618	-	-	-	-	-	-	13,618
1690 Other	22,357	122,501	-	-	-	-	-	144,858
1720 Bookstore sales	-	-	-	-	3,507,631	-	-	3,507,631
1980 Daycare charges for services	-	-	-	-	-	-	313,325	313,325
Total operating revenues	44,141	122,501	43,283	12,490	3,507,631	598,840	313,325	4,642,211
Operating Expenses								
100 Salaries	734,141	51,663	34,486	6,907	173,870	151,995	202,837	1,355,899
200 Employee benefits	120,502	4,060	3,805	1,339	34,087	27,803	39,293	230,889
300 Purchased services	47,302	325	-	-	92,444	13,783	13,531	167,385
400 Supplies	179,174	3,723	7,672	-	9,800	23,015	4,479	227,863
461 Cost of sales - purchased	834,149	57,942	-	-	3,155,888	313,838	15,729	4,377,546
462 Cost of sales - donated	128,529	-	-	-	-	-	-	128,529
600 Other	23,962	-	-	-	-	-	298	24,260
900 Depreciation	32,507	390	-	-	-	1,186	1,303	35,386
Total operating expenses	2,100,266	118,103	45,963	8,246	3,466,089	531,620	277,470	6,547,757
Operating Income (Loss)	(2,056,125)	4,398	(2,680)	4,244	41,542	67,220	35,855	(1,905,546)



Watertown School District No. 14-4

Combining Statements of Revenues, Expenses, and Changes in Net Position – Nonmajor Proprietary Funds

Year Ended June 30, 2022

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	Enterprise Funds							
	Food Service Fund	Concessions Fund	Drivers Education Fund	Pre-School Services Fund	Bookstore Fund	LATC Food Service Fund	LATC Daycare Fund	Totals
Nonoperating Revenue								
Local sources:								
1500 Investment earnings (losses)	(10,142)	(213)	(18)	(327)	(20,166)	(3,137)	(2,600)	(36,603)
State sources:								
3810 Cash reimbursements	5,897	-	-	-	-	-	-	5,897
Federal sources:								
4150 Federal grants	-	-	-	-	-	-	120,311	120,311
4810 Cash reimbursements	2,233,518	-	-	-	-	-	22,102	2,255,620
4820 Donated food	128,529	-	-	-	-	-	-	128,529
Total nonoperating revenue (expense)	2,357,802	(213)	(18)	(327)	(20,166)	(3,137)	139,813	2,473,754
Change in Net Position	301,677	4,185	(2,698)	3,917	21,376	64,083	175,668	568,208
Net Position - Beginning	998,569	41,985	7,608	18,473	1,409,088	223,859	166,259	2,865,841
Net Position - Ending	<u>\$ 1,300,246</u>	<u>\$ 46,170</u>	<u>\$ 4,910</u>	<u>\$ 22,390</u>	<u>\$ 1,430,464</u>	<u>\$ 287,942</u>	<u>\$ 341,927</u>	<u>\$ 3,434,049</u>

Watertown School District No. 14-4  
Combining Statements of Cash Flows – Nonmajor Proprietary Funds  
Year Ended June 30, 2022

	Enterprise Funds							
	Food Service Fund	Concessions Fund	Drivers Education Fund	Pre-School Services Fund	Bookstore Fund	LATC Food Service Fund	LATC Daycare Fund	Totals
Cash Flows from (used for) Operating Activities								
Cash receipts from customers	\$ 42,286	\$ 123,055	\$ 43,283	\$ 12,490	\$ 3,712,835	\$ 598,915	\$ 313,244	\$ 4,846,108
Payments to employees	(903,608)	(57,910)	(38,496)	(8,788)	(223,601)	(190,921)	(252,569)	(1,675,893)
Payments to suppliers	(1,145,937)	(59,085)	(5,841)	-	(3,177,666)	(347,454)	(40,063)	(4,776,046)
Net Cash from (used for) Operating Activities	(2,007,259)	6,060	(1,054)	3,702	311,568	60,540	20,612	(1,605,831)
Cash Flows from Noncapital Financing Activities								
Operating grants	-	-	-	-	-	-	120,311	120,311
Operating subsidies	2,239,415	-	-	-	-	-	22,102	2,261,517
Net Cash from Noncapital Financing Activities	2,239,415	-	-	-	-	-	142,413	2,381,828
Cash Flows from (used for) Investing Activities								
Purchase of investments	(337,009)	(7,603)	(539)	(9,815)	(657,630)	(103,174)	(86,242)	(1,202,012)
Cash received for interest	1,075	40	-	-	1,722	297	270	3,404
Net Cash used for Investing Activities	(335,934)	(7,563)	(539)	(9,815)	(655,908)	(102,877)	(85,972)	(1,198,608)
Net Change in Cash and Cash Equivalents	(103,778)	(1,503)	(1,593)	(6,113)	(344,340)	(42,337)	77,053	(422,611)
Cash and Cash Equivalents, Beginning of Year	896,410	32,397	6,286	19,504	1,148,808	190,892	156,149	2,450,446
Cash and Cash Equivalents, End of Year	\$ 792,632	\$ 30,894	\$ 4,693	\$ 13,391	\$ 804,468	\$ 148,555	\$ 233,202	\$ 2,027,835

Watertown School District No. 14-4  
Combining Statements of Cash Flows – Nonmajor Proprietary Funds  
Year Ended June 30, 2022

	Enterprise Funds							
	Food Service Fund	Concessions Fund	Drivers Education Fund	Pre-School Services Fund	Bookstore Fund	LATC Food Service Fund	LATC Daycare Fund	Totals
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities								
Operating income (loss)	\$ (2,056,125)	\$ 4,398	\$ (2,680)	\$ 4,244	\$ 41,542	\$ 67,220	\$ 35,855	\$ (1,905,546)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:								
Depreciation expense	32,507	390	-	-	-	1,186	1,303	35,386
Value of donated commodities used	128,529	-	-	-	-	-	-	128,529
Change in assets and liabilities:								
Accounts receivable	784	554	-	-	4,113	75	474	6,000
Inventories	(6,767)	2,905	-	-	(98,540)	4,530	-	(97,872)
Due from other fund	(2,410)	-	-	-	(10,967)	(975)	-	(14,352)
Due from other governments	-	-	-	-	-	-	(10,194)	(10,194)
Prepaid expenses	-	-	-	-	(103,567)	-	-	(103,567)
Pension asset and deferred outflows	(296,539)	(12,249)	(1,884)	(3,368)	(87,212)	(58,344)	(73,798)	(533,394)
Accounts payable	(52,173)	-	1,831	-	294,605	(347)	1,299	245,215
Contracts payable	3,863	-	-	55	-	(636)	1,990	5,272
Payroll deductions and withholdings and employer matching payable	526	-	-	7	-	(91)	832	1,274
Due to other fund	-	-	-	-	(1,065)	(26)	2,869	1,778
Deposits payable	(3,147)	-	-	-	-	-	-	(3,147)
Unearned revenue	508	-	-	-	201,091	-	(555)	201,044
Pension liability and deferred inflows	243,185	10,062	1,679	2,764	71,568	47,948	60,537	437,743
Net Cash from (used for) Operating Activities	<u>\$ (2,007,259)</u>	<u>\$ 6,060</u>	<u>\$ (1,054)</u>	<u>\$ 3,702</u>	<u>\$ 311,568</u>	<u>\$ 60,540</u>	<u>\$ 20,612</u>	<u>\$ (1,605,831)</u>
Noncash Investing, Capital and Financing Activities								
Value of commodities received	\$ 128,529	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,529
Loss on investments not affecting operating income (loss)	(11,217)	(253)	(18)	(327)	(21,888)	(3,434)	(2,870)	(40,007)



**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***

To the School Board  
Watertown School District No. 14-4  
Watertown, 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 Watertown School District No. 14-4 (the School District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Watertown School District No. 14-4's basic financial statements and have issued our report thereon dated January 20, 2023. In our report we expressed a disclaimer of opinion on the discretely presented component unit as the financial statements of the Lake Area Technical College Foundation have not been audited and we were not engaged to audit the Lake Area Technical College Foundation. In our report we also expressed a qualified opinion on the aggregate remaining fund information and the governmental activities which include the Arrow Education Foundation as the financial statements of the Arrow Education Foundation have not been audited and we were not engaged to audit the Arrow Education Foundation.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Watertown School District No. 14-4's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain aggregated deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001 that we consider to be a material weakness.

### **Report on Compliance and Other Matters**

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

### **School District's Response to Findings**

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

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Esde Bailly LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota  
January 20, 2023



**Independent Auditor's Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance Required by the Uniform Guidance**

The Board of Directors  
Watertown School District No. 14-4  
Watertown, South Dakota

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Watertown School District No. 14-4's (the School District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2022. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School District's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School District's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

### ***Report on Internal Control over Compliance***

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a significant deficiency.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on the School District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota  
January 20, 2023



Watertown School District No. 14-4  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/ Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture			
Pass-Through the SD Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	*	\$ 128,529
Cash Assistance:			
School Breakfast Program	10.553	*	303,438
National School Lunch Program	10.555	*	1,930,080
Cash Assistance Total:			<u>2,233,518</u>
Total for Child Nutrition Cluster	10.559	*	<u>2,362,047</u>
Child and Adult Care Food Program	10.558	*	<u>22,102</u>
Total U.S. Department of Agriculture			<u>2,384,149</u>
U.S. Department of Education			
Direct Federal Funding:			
Student Financial Aid - Cluster			
Federal Pell Grant Program	84.063	N/A	3,154,841
Federal Workstudy Program	84.033	N/A	73,569
FSEOG Program	84.007	N/A	65,000
Perkins Loan Program (Note D)	84.038	N/A	385,688
Direct Loan Program	84.268	N/A	<u>7,269,669</u>
Total Student Financial Aid Cluster			<u>10,948,767</u>
Education Stabilization Fund			
Direct Award			
COVID-19 - Higher Education Emergency Relief Fund Student Portion	84.425E	N/A	2,548,210
COVID-19 - Higher Education Emergency Relief Fund Institutional Portion	84.425F	N/A	2,268,846
Passed through the SD Department of Education:			
COVID-19 Elementary & Secondary Emergency Relief Fund	84.425D	*	1,952,444
COVID- 19 - Elementary & Secondary Emergency Relief Fund	84.425U	*	<u>1,209,324</u>
Total Education Stabilization Fund			<u>7,978,824</u>

Watertown School District No. 14-4  
Schedule of Expenditures of Federal Awards  
June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/ Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
Pass-Through the SD Department of Education:			
Title I Grants to Local Educational Agencies	84.010	*	608,513
Career and Technical Education - Basic Grants to States	84.048	*	649,441
Improving Teacher Quality State Grants	84.367	*	275,206
State Personnel Development Grant (SPDG)	84.323A	*	97,546
School Improvements Grants	84.377	*	41,150
Title IV - A	84.424	*	75,568
Special Education Cluster:			
Special Education - Grants to States	84.027	*	1,178,634
Special Education - Preschool Grants	84.173	*	34,055
Total for Special Education Cluster			<u>1,212,689</u>
Total U.S. Department of Education			<u>21,887,704</u>
U.S. Department of Justice			
Title V - Delinquency Prevention Program	16.548	*	64,845
Total U.S. Department of Justice			<u>64,845</u>
U.S. Department of Treasury			
Pass-Through the South Dakota Department of Education: Coronavirus Relief Fund	21.019	*	86,599
Total U.S. Department of Treasury			<u>86,599</u>
Institute Of Museum And Library Services			
Grants to States - Library Services and Technology	45.310		102,234
Total Institute Of Museum And Library Services			<u>102,234</u>
U.S. Department of Health and Human Services			
Child Care and Development Block Grant	93.575	*	120,311
Total U.S. Department of Health and Human Services			<u>120,311</u>
Total Federal Financial Assistance			<u>\$ 24,645,842</u>

\* Pass-through identifying numbers were not provided.

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Watertown School District No. 14-4 (the School District) under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of the School District.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

**Note 3 - Indirect Cost Rate**

The School District has not elected to use the 10% *de minimus* cost rate.

**Note 4 - Food Donation**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2022, the School District had food commodities totaling \$215 in inventory.

**Note 5 - Federal Student Loan Programs**

The federal student loan programs listed subsequently are administered directly by Lake Area Technical College and balances and transactions relating to these programs are included in the School District's basic financial statements. No new loans were made during the year. The balance of loans outstanding at June 30, 2022, for the Perkins Loan Program (CFDA # 84.038) was \$339,521.

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**Section I – Summary of Auditor’s Results**

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**FINANCIAL STATEMENTS**

Type of auditor's report issued	
Discretely Presented Component Unit	Disclaimer
Aggregate Remaining Fund Information	Qualified
Governmental Activities	Qualified
All Other Opinion Units	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	Yes

**Identification of major programs:**

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	
Federal Pell Grant Program	84.063
Federal Workstudy Program	84.033
FSEOG Program	84.007
Direct Loan Program	84.268
Perkins Loan Program	84.038
Education Stabilization Fund	
COVID-19 - Elementary & Secondary Emergency Relief Fund (ESSER)	84.425D
COVID-19 - Elementary & Secondary Emergency Relief Fund (ESSER)	84.425U
COVID-19 - Higher Education Emergency Relief Fund (HEERF) - Student	84.425E
COVID-19 - Higher Education Emergency Relief Fund (HEERF) - Institutional	84.425F
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

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**Section II – Financial Statement Findings**

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**Finding 2022-001 Auditor Preparation of Financial Statements, Audit Adjustments and Passed Audit Adjustments, and Adjustments to the Schedule of Expenditures of Federal Awards  
Material Weakness**

*Criteria:* The School District's internal control structure should be designed to provide for the preparation of the financial statements, including required footnote disclosures and schedule of expenditures of federal awards (SEFA), which includes having an adequate internal control system for recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

*Condition:* As the auditor, we prepared the financial statements and required footnote disclosures for the year ended June 30, 2022. As part of audit procedures and preparation of the financial statements, we identified and proposed various audit adjustments and adjustments to the SEFA, some of which were material, that were not identified by the School District's current internal controls. We also identified certain misstatements, deemed to be immaterial individually and in the aggregate to the financial statements as a whole, that were passed on for adjustment by management.

*Cause:* The School District's internal controls, as currently designed, did not identify and detect the misstatements noted during our audit, resulting in proposed audit adjustments and identified passed audit adjustments, as well as corrections to the SEFA. Additionally, the auditor was requested to prepare the complete financial statements and related required footnotes.

*Effect:* The presence of identified audit adjustments and passed audit adjustments may affect the condition of financial information throughout the year being used by management in analysis and decision making and increase the risk that potential misstatements remain present in the financial statements. The auditor's preparation of the financial statements and footnotes may also affect the School District's ability to summarize and report financial data consistent with the assertions of management.

*Recommendation:* We recommend management perform a thorough review of the auditor-prepared financial statements, audit adjustments and adjustments made to the SEFA, as well as account balances in each fund to ensure all necessary adjustments are reflected in the financial statements in accordance with generally accepted accounting principles. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with the auditor's role in preparation of the financial statements and footnotes.

*Views of Responsible Officials:* Management agrees with the finding.

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**Section III – Federal Award Findings and Questioned Costs**

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**2022-002      Department of Education  
Student Financial Aid Cluster  
CFDA # 84.268 – Federal Direct Student Loans  
2021-2022 Award Year**

**Special Tests and Provisions – Return of Title IV Funds  
Significant Deficiency in Internal Controls over Compliance**

*Criteria:* 34 CFR 668.22 sets forth the criteria for timely withdrawal determination requirement for return of Title IV funds.

*Condition:* 1 of 30 students selected for testing had a withdrawal determination date outside of the 30 day requirement. For a student who withdraws without providing notification from a school that is not required to take attendance, the school must determine the withdrawal date no later than 30 days after the end of the earlier of 1) the payment period or the period of enrollment, 2) the academic year, or 3) the student's educational program.

*Cause:* Student was part of the agriculture program and was intended to finish the semester with an internship. LATC was notified outside of the 30-day requirement by the employer that the internship did not take place.

*Effect:* The error in withdrawal determination resulted in determination dates outside of the required timeframe which will result in return of direct loans outside of the required timeframe.

*Questioned Costs:* None.

*Context/Sampling:* A nonstatistical sample of 30 students with a withdrawal status out of 146 students with a withdrawal status were selected for testing of return of Title IV Funds requirements.

*Repeat Finding from Prior Year(s):* No.

*Recommendation:* We recommend the financial aid and registrar's offices implement controls to verify intended internships beginning during an in-progress semester have, in fact, started. We also recommend a follow up within 20 days of semester end to ensure internships were completed.

*Views of Responsible Officials:* Management agrees with the finding.



**WATERTOWN SCHOOL DISTRICT No. 14-4**

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Management's Response to Auditor's Findings:  
Summary Schedule of Prior Audit Findings and  
Corrective Action Plan  
June 30, 2022

Prepared by Management of  
**Watertown School District #14-4**

## Summary Schedule of Prior Audit Findings

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### *Finding 2021-001*

*Initial Fiscal Year Finding Occurred: 2021*

*Finding Summary:* Eide Bailly LLP prepared our draft financial statements and accompanying notes to the financial statements. As part of audit procedures and preparation of the financial statements, we identified and proposed various audit adjustments and adjustments to the SEFA, some of which were material, that were not identified by the School District's current internal controls. They also identified certain misstatements, deemed to be immaterial individually and in the aggregate to the financial statements as a whole, that were passed on for adjustment by management. Lastly, they identified certain errors in previously issued financial statements resulting in a restatement of beginning fund balance and net position that were not identified by management in the prior year.

*Status:* Ongoing, except for the prior year finding related to restatement of beginning fund balance and net position which corrective action was taken.

### *Finding 2021-002*

*Initial Fiscal Year Finding Occurred: 2021*

*Finding Summary:* During audit procedures, it was noted that certain asset and liability balances reconciled were not reviewed to ensure they were reconciled accurately, and any needed adjustment was appropriate. The auditors also noted that manual adjusting journal entries posted to the financial statement accounts were not being reviewed by someone other than the preparer to ensure the entry was accurate, supported, and had a valid purpose. Lastly, it was noted that certain account balances subject to accounting estimate, deemed by the auditor to be significant in nature, were not reviewed for reasonableness and potential bias by an individual other than who prepared and recorded the estimate.

*Status:* Corrective action was taken.



## Summary Schedule of Prior Audit Findings

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### *Finding 2021-003*

*Federal Agency Name:* Department of Education

*Program Name:* Student Financial Aid

*CFDA #:* 84.268 – Federal Direct Student Loans

*Initial Fiscal Year Finding Occurred:* 2021

*Finding Summary:* 27 of the 60 students selected for testing the reporting of student status changes had status change certification dates outside of the required 60 days from the effective date based on NSLDS Enrollment Reporting guidance. 10 of the 60 students selected for testing the reporting of student status changes were reported with the incorrect enrollment status based on NSLDS Enrollment Reporting guidance. 5 of the 60 students selected for testing the reporting of student status changes were reported to NSLDS with an incorrect status effective date based on NSLDS Enrollment Reporting guidance.

*Status:* Corrective action was taken.

### *Finding 2021-003*

*Federal Agency Name:* Department of Education

*Program Name:* Student Financial Aid

*CFDA #:* 84.033 – Federal Workstudy Program

*CFDA #:* 84.007 – Federal Supplemental Educational Opportunity Grants (FSEOG)

*CFDA #:* 84.038 – Federal Perkins Loan Program

*Initial Fiscal Year Finding Occurred:* 2021

*Finding Summary:* In testing key line items as indicated in the compliance supplement, the auditors noted 4 line items for which amounts reported in the FISAP did not agree to supporting records and documentation that were provided during testing.

*Status:* Corrective action was taken.

## Corrective Action Plan

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### *Finding 2022-001*

*Finding Summary:* Eide Bailly LLP prepared the financial statements and required footnote disclosures for the year ended June 30, 2022. As part of audit procedures and preparation of the financial statements, they identified and proposed various audit adjustments and adjustments to the SEFA, some of which were material, that were not identified by current internal controls. They also identified certain misstatements, deemed to be immaterial individually and in the aggregate to the financial statements as a whole, that were passed on for adjustment by management.

*Responsible Individuals:* Heidi Clausen, Business Manager

*Corrective Action Plan:* It is not cost effective to have an internal control system designed to provide for the preparation of the financial statements and accompanying notes. We request that our auditors, Eide Bailly LLP, prepare the financial statements and the accompanying notes to the financial statements as a part of their annual audit. We have designated a member of management to review the drafted financial statements and accompanying notes, and we have reviewed with and agree with the material adjustments proposed during the audit.

*Anticipated Completion Date:* Ongoing

### *Finding 2022-002*

Federal Agency Name: Department of Education

Program Name: Student Financial Aid Cluster

CFDA # 84.268 - Federal Direct Student Loans

Special Tests and Provisions – Return of Title IV Funds

*Finding Summary:* 1 of 30 students tested for return of Title IV had a withdrawal determination date outside of the 30-day requirement. For a student who withdraws without providing notification from a school that is not required to take attendance, the school must determine the withdrawal date no later than 30 days after the end of the earlier of 1) the payment period or the period of enrollment, 2) the academic year, or 3) the student's educational program.

*Responsible Individuals:* Eric Schultz, Director of Enrollment and Marlene Seeklander, Director of Financial Aid

*Corrective Action Plan:*

The Registrar's Office will take the following action: For all programs that have SOE/Internship/Clinical experiences, a roster will be generated, and the instructors will be required to verify that the student has been placed and is actively participating in the SOE/Internship/Clinical. Moving forward, this will be a reminder that is emphasized on a regular basis. At the instructor in-service sessions in August, the Director of Enrollment and Director of Financial Aid present a session which is a series of reminders and other important information that instructors need to know. While we already address the need to notify the Registration Office that a student is no longer attending, we plan to expand on that topic. We will include a slide with the audit finding as outlined so they can see the audit ramifications it has on LATC. We will also explain that this is an institutional responsibility, which includes all staff, all program instructors and all adjuncts.

*Anticipated Completion Date:* Ongoing