

**WINNER SCHOOL DISTRICT NO. 59-2
OF TRIPP COUNTY**

AUDIT REPORT

FISCAL YEAR JULY 1, 2021 TO JUNE 30, 2022

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

WINNER SCHOOL DISTRICT NO. 59-2

WINNER SCHOOL DISTRICT NO. 59-2
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2022

BOARD MEMBERS:

Mike Calhoon, President
Scott Meiners, Vice-President
Rusty Blare
Steve Kubik
Julie Manke
Bill Mann
Nelle Schlomer

SUPERINTENDENT:

Keven Morehart

BUSINESS MANAGER:

Laura Root

Schoenfish & Co., Inc.

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TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Required by Uniform Guidance.....	3-5
Schedule of Prior Audit Findings and Questioned Costs.....	6
Schedule of Current Audit Findings and Questioned Costs.....	7-9
Independent Auditor's Report	10-12
Management's Discussion and Analysis (MD&A).....	13-22
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position.....	23
Statement of Activities.....	24
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	25
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	26
Statement of Revenues, Expenditures, and Changes In Fund Balance.....	27-29
Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances to the Government-Wide Statement of Activities.....	30
Proprietary Funds:	
Statement of Net Position.....	31
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	32
Statement of Cash Flows.....	33
Fiduciary Funds:	
Statement of Fiduciary Net Position.....	34
Statement of Changes in Fiduciary Net Position.....	35
Notes to the Financial Statements.....	36-56

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TABLE OF CONTENTS
(Continued)

Required Supplementary Information Other than MD&A:

Budgetary Comparison Schedules – Budgetary Basis:

General Fund..... 57-58

Capital Outlay Fund..... 59-60

Special Education Fund..... 61-62

Notes to the Required Supplementary

Information – Budgetary Comparison Schedules..... 63-64

Schedule of School District's Proportionate Share

Of the Net Pension Liability (Asset)..... 65

Schedule of the School District Contributions –

South Dakota Retirement System..... 66

Notes to the Required Supplementary

Information – Pension Schedules..... 67

Supplementary Information:

Schedule of Expenditures of Federal Awards..... 68-69

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

School Board
Winner School District No. 59-2
Tripp County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Winner School District No. 59-2, South Dakota (School District), as of June 30, 2022 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 7, 2023.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

School District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Schoenfish & Co., Inc.
Certified Public Accountants
February 7, 2023

Schoenfish & Co., Inc.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

School Board
Winner School District No. 59-2
Tripp County, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Winner School District No. 59-2, South Dakota (School District), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (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 Current Audit Findings and Questioned Costs.

In our opinion, the Winner School District No. 59-2 complied, in all material respects, with the types of 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 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 are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide 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 requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to 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 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. 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 judgement 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 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 School District's compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of 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, significant audit findings, and certain internal control–related matters 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. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* is a deficiency, or 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2022-001 to be a material weakness.

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.

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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 audit described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The School District's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Purpose of this Report

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. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.



Schoenfish & Co., Inc.
Certified Public Accountants
February 7, 2023

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SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTSPRIOR FEDERAL AUDIT FINDINGS:Internal Control – Related Finding – Material Weakness:Finding Number 2021-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

Views of Responsible Officials and Planned Corrective Action Plan:

The Winner School District Business Manager, Laura Root, is the contact person responsible for the corrective action plan for this finding. We are aware of this weakness in internal controls and continue to analyze the processes and procedures to minimize the risk to the Winner School District. Due to the size and limited funding of the Winner School District, we cannot staff at the level sufficient to provide an ideal environment for internal control. Several procedures have been set into place to have more than one individual count cash/checks before it is receipted and deposited by the Business Manager. The District has put an internal control policy into place and will continue to analyze different policies and procedures to address this ongoing issue. I have attached a copy of our internal control policy.

PRIOR OTHER AUDIT FINDINGS:

There are no prior other audit findings to report except for the lack of segregation of duties stated in finding number 2021-001.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTSSummary of the Independent Auditor's Results:Financial Statements

- a. An unmodified opinion was issued on the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.
- b. A material weakness was disclosed by our audit of the financial statements and for internal control for a lack of segregation of duties for revenues as discussed in finding number 2022-001.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards

- d. A material weakness was disclosed for internal control over major federal programs for a lack of segregation of duties affecting the reporting compliance requirement category as discussed in finding number 2022-001.
- e. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- f. Our audit disclosed audit findings that are required to be disclosed in accordance with the 2 CFR 200.516(a). See finding number 2022-001.
- g. The federal awards tested as major programs were:
 - 1. Impact Aid CFDA No. 84.041
 - 2. Elementary and Secondary School Emergency Relief Fund CFDA No. 84.425
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- i. Winner School District No. 59-2 did not qualify as a low-risk entity.

CURRENT FEDERAL AUDIT FINDINGS:Internal Control – Related Finding – Material Weakness:Finding Number 2022-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues which affect the reporting compliance requirement category.

Major Federal Program:

The major federal programs affected are Impact Aid, CFDA No. 84.041; and Elementary and Secondary School Emergency Relief Fund, CFDA No. 84.425.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria:

Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Condition:

A limited number of employees process all revenue transactions from beginning to end. They also receive money, issue receipts, record receipts, post receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare financial statements.

Effect:

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

Identification as a Repeat Finding:

This is a continuing audit finding since fiscal year 1999.

Recommendation:

1. We recommend that the Winner School District officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever, possible and practical.

CURRENT OTHER AUDIT FINDINGS:

There are no current other audit findings to report except for the lack of segregation of duties for revenues as stated in finding number 2022-001.

CLOSING CONFERENCE

The audit was discussed with the school board president, superintendent, and business manager on February 15, 2023.

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BOARD OF EDUCATION:

MIKE CALHOON, Chairperson
 SCOTT MEINERS, Vice Chairperson
 RUSTY BLARE, Member
 BILL MANN, Member
 STEVE KUBIK, Member
 JULIE MANKE, Member
 NELLE SCHLOMER, Member

**ADMINISTRATION:**

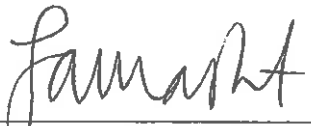
KEVEN MOREHART, Superintendent
 GERALD WITTE, High School Principal
 Technology Coordinator
 BRETT GARDNER, Middle School Principal
 Activities Director
 BRIAN NAASZ, Elementary Principal
 Special Education Coordinator
 KIM DEMERS, Curriculum/Title 1 Coordinator
 LAURA ROOT, Business Manager

Corrective Action Plan

Finding Number 2022-001: Material weakness in internal controls due to a lack of segregation of duties.

Views of Responsible Officials and Planned Corrective Action Plan:

The Winner School District Business Manager, Laura Root, is the contact person responsible for the corrective action plan for this finding. We are aware of this weakness in internal controls and continue to analyze the processes and procedures to minimize the risk to the Winner School District. Due to the size and limited funding of the Winner School District, we cannot staff at a level sufficient to provide an ideal environment for internal controls. Several procedures have been set into place to have more than one individual count cash/checks before it is receipted and deposited by the Business Manager. The district has put an internal control policy into place and will continue to analyze different policies and procedures to address this ongoing issue. I have attached a copy of our internal control policy.



 Laura Root, Business Manager



 Keven A Morehart, Superintendent

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INDEPENDENT AUDITOR'S REPORT

School Board
Winner School District No. 59-2
Tripp County, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Winner School District No. 59-2, South Dakota (School District), as of June 30, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Winner School District No. 59-2 as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), Budgetary Comparison Schedules, the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the School District Contributions 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.

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Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which was 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) is presented for purposes of additional analysis and is not a required part of 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 in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the School District Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2023 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.
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 February 7, 2023

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Winner School District 59-2 Management Discussion and Analysis Year End June 30th, 2022

This section of the Winner School District 59-2 annual financial report presents its discussion and analysis of the district's financial performance during the fiscal year ending June 30, 2022. Please read it in conjunction with the district's financial statements, which immediately follow this section.

Financial Highlights

- The district's net position from governmental and business-type related activities were up by \$1,460,535. Total revenue was up 9.10% while expenditures decreased 3.75% in comparison to the previous year.
- Overall, governmental revenues were \$9,966,880; governmental expenses were \$1,348,006 less than revenues. Business-type activity revenues were \$602,570; business-type expenses were \$112,529 less than revenues.
- The Winner School District started a preschool program in the 21/22 school year. The preschool was previously run privately but that individual retired and the district recognized the importance of the program. This program runs under the enterprise fund and is funded through tuition from parents and was supplemented \$55,661 in impact aid funds for the 21/22 school year.
- The district has a balance of \$182,780 at the end of the 21/22 school year on the energy efficient loan it took for a project at the Armory and Elementary School in 2018. The district also paid \$130,000 of capital outlay certificates leaving a balance of \$660,000 for the Aux Gym project. The district refinanced its capital outlay certificates in 21/22 saving the district approximately \$14,000 in interest. The district has compensated absences of \$71,492 and \$110,695 in early retirement benefits at this time. The 20/21 school year was the last year for certified staff to take part in the early retirement benefit. These final benefits will be paid out over the next two years.
- Food Service, the Out of School Time (OST) Program, Driver's Education Program and Preschool are the business-type activities in the WSD financial statements. OST received \$25,256 in ARPA and CRRSA stabilization funding in 21/22. Preschool and the Driver's Education Program were funded by parent fees and also supplemented \$58,174 in impact aid funds. The food service's revenues were \$87,026 more than expenses. All business-type activities net position as of June 30, 2022, were up \$112,529 from June 30, 2021. The biggest factors for the increased net position in food service was that the school district received higher summer feeding program reimbursement rates, the supply chain assistance grant and the increased student participation due to lunches still being free in the 21/22 school year.

Overview of the Financial Statements

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

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-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.

- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for the future spending.
- Proprietary funds statement offers short- and long-term information about the activities the district operates like business, such as food service, OST and the Driver's Education program.
- Fiduciary fund statements provide information about financial relationships in which the district acts solely as a trustee or agent for the benefits of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Organization of the Winner School District 59-2 Annual Financial Report

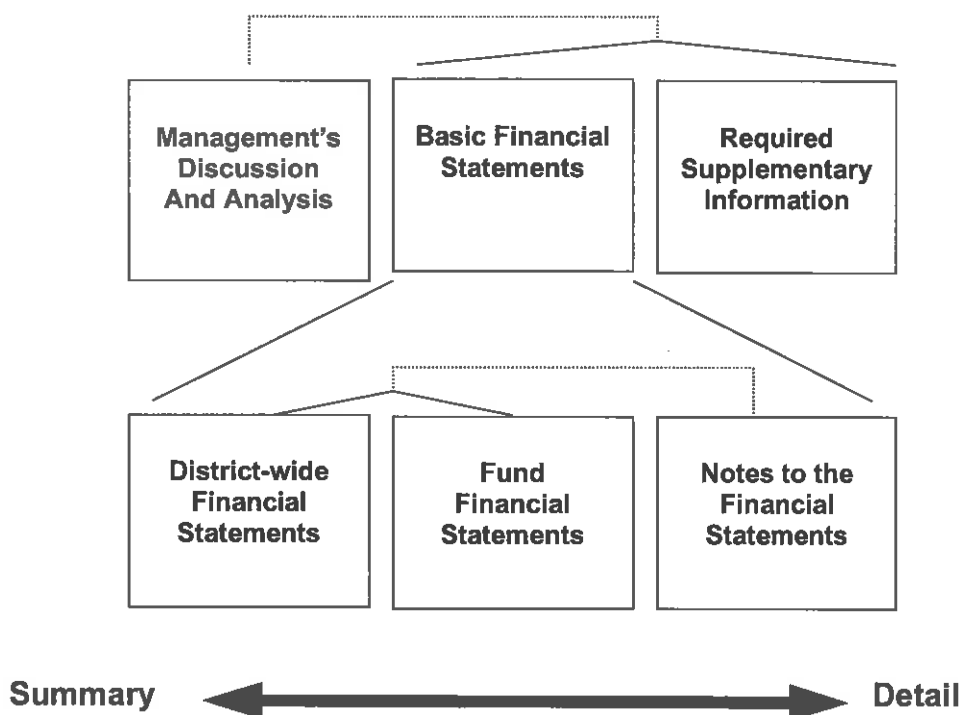


Figure A-2 summarizes the major features of the district's financial statements, including the portion of the district's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2
Major Features of the District-Wide and Fund Financial Statements

	District-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary of fiduciary, such as special education and building maintenance	Activities the district operates similar to private business: food services, OST and drivers' education	Instances in which the district administers resources on behalf of someone else, such as scholarship program as student activities monies
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of net position • Statement of revenues, expenses, and changes in net position • Statement of cash flows	• Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting Basis and measurement	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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, 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 liabilities 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; funds do not currently contain capital assets, although they can
Type of inflow/out flow 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

District-wide Statements

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

The two district-wide statements report the district's net position and how they have changed. Net position – the difference between the district's assets and deferred outflows of resources, and liabilities and deferred inflows of resources – is one way to measure the district's financial health or position.

- Over time, increases or decreases in the district's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the district's overall health, you need to consider additional non-financial factors such as changes in the district's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the district's activities are divided into two categories:

- **Governmental activities:** Most of the district's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of the activities.
- **Business-type activities:** The district charges fees to help it cover the costs of certain services it provides. The district's food services, driver's education, preschool and out of school time programs are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the district's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the district use to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants
- The district established other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants):

The district has three kinds 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 that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- ***Proprietary funds:*** Services for which the district charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The district's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- ***Fiduciary funds:*** The district is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The district excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

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

Figure A-3

Condensed Statement of Net Assets (in thousands of dollars)							
	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2021	2022	2021	2022	2021	2022	21-22
Current & Other Assets	10,647	11,979	281	324	10,928	12,303	12.58%
Capital Assets, Net of Depr.	8,467	9,188	54	75	8,521	9,263	8.71%
Total Assets	19,114	21,167	335	399	19,449	21,566	10.88%
Pension Related Deferred Outflows	1,306	2,078	0	0	1,306	2,078	59.11%
Total Deferred Outflows of Resources	1,306	2,078	0	0	1,306	2,078	59.11%
Long-Term Debt Outstanding	1,229	1,025	0	0	1,229	1,025	-16.60%
Other Liabilities	832	643	98	50	930	693	-25.48%
Total Liabilities	2,061	1,668	98	50	2,159	1,718	-20.43%
Taxes Levied for Future Period	1,695	1,683	0	0	1,695	1,683	-0.71%
Pension Related Deferred Inflows	1,045	2,926	0	0	1,045	2,926	180.00%
Total Deferred Inflow of Resources	2,740	4,609	0	0	2,740	4,609	68.21%
Net Assets, Invested in Capital							
Assets, Net of Related Debt	7,464	8,345	54	75	7,518	8,420	12.00%
Restricted	3,789	4,228	0	0	3,789	4,228	11.59%
Unrestricted	4,367	4,394	183	275	4,550	4,669	2.62%
Total Net Position	15,620	16,967	237	350	15,857	17,317	9.21%

The district's combined net position was higher on June 30, 2022, than it was the year before, increasing 9.21% to \$17,316,833. (See figure A-3) Current assets & other assets increased by 12.58% and capital assets, net of depreciation increased by 8.71%. The district decreased their long-term debt outstanding by 16.60% and other liabilities by 25.48%.

Changes in net position. The district's total revenues increased 9.10% to \$10,569,450. The main increases were in charges for services which increased 29.32%, capital grants & contributions which was new ESSER II and ESSER III funds the district built with in 21/22 and revenue from federal sources which increased 48.27%. Total school district expenses decreased 3.75%. The biggest decrease was in nonprogrammed charges as the district phased out its early retirement plan in June of 2021 and no new retirees were added to the program. Overall net position of the district increased by 9.21%.

- The 20/21 enrollment was 711 and the 21/22 enrollment came in at 715. We have a transient student population and budget approximately 715 students each year.
- The Winner School District is in compliance with the teacher accountability and the fund caps that were passed through state legislation.
- The district started its own preschool in the 21/22 school year. The preschool is funded through parent fees and supplemented with impact aid to keep the program affordable to families.

Figure A-4
Winner School District No. 59-2
Changes in Net Assets from Operating Results (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2021	2022	2021	2022	2021	2022	2021-2022
Program Revenues:							
Charges for Services	66	72	67	100	133	172	29.32%
Operating Grants & Contr.	1,349	1,398	375	501	1,724	1,899	10.15%
Capital Grants & Contr.		914			0	914	100.00%
General Revenues:							
Property taxes	4,350	4,374			4,350	4,374	0.55%
State formula aid	2,550	2,562			2,550	2,562	0.47%
Revenue from Federal Sources not restricted for specific programs	750	362			750	362	-51.73%
Unrestricted Investment Earnings	49	47			49	47	-4.08%
Other General Revenue	130	237			130	237	82.31%
Total Revenues	<u>9,244</u>	<u>9,966</u>	<u>442</u>	<u>601</u>	<u>9,686</u>	<u>10,567</u>	<u>9.10%</u>
Expenses:							
Instruction	5,003	4,610			5,003	4,610	-7.86%
Support Services	3,165	3,200			3,165	3,200	1.11%
Community Services			29	116	29	116	300.00%
Nonprogrammed Charges	220				220	0	-100.00%
Interest on Long-Term Debt	24	35			24	35	45.83%
Cocurricular Activities	695	716			695	716	3.02%
Food Service			328	432	328	432	31.71%
Total Expenses	<u>9,107</u>	<u>8,561</u>	<u>357</u>	<u>548</u>	<u>9,464</u>	<u>9,109</u>	<u>-3.75%</u>
Excess (deficiency) before Transfers & Special Items	<u>137</u>	<u>1,436</u>	<u>85</u>	<u>53</u>	<u>222</u>	<u>1,458</u>	<u>570.72%</u>
Transfers	<u>(21)</u>	<u>(58)</u>	<u>21</u>	<u>58</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>
Change in Net Position	<u>116</u>	<u>1,347</u>	<u>106</u>	<u>113</u>	<u>222</u>	<u>1,491</u>	<u>571.62%</u>
Net Position - Ending	<u>15,619</u>	<u>16,967</u>	<u>237</u>	<u>349</u>	<u>15,856</u>	<u>17,316</u>	<u>9.21%</u>

Figure A-5, Winner School District, Sources of Revenue for Fiscal Year 2022

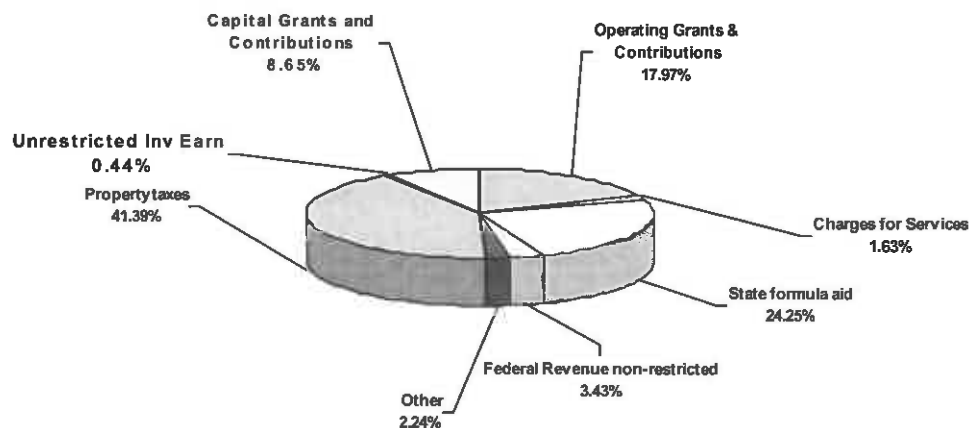
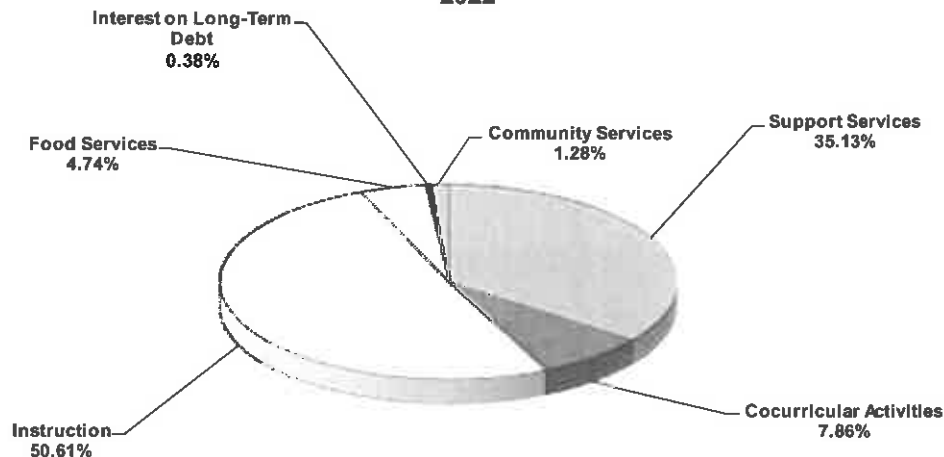


Figure A-6, Winner School District, Functional Expenses for Fiscal Year 2022



Governmental Activities

Total governmental revenues increased by 7.8%. This increase was mainly due to operating grants and contributions and capital grants & contributions. Total expenses for governmental activities decreased by 6.00%. The main decrease was nonprogrammed charges. This decrease was because there were no new early retirement payments added in the 21/22 school year. The district phased its early retirement plan out June 2021. Overall, total governmental revenues were higher than total expenses, increasing the school's net position \$1,348,006 from the last year.

Business-type Activities

The business-type activities increased their net position by 47.26%. The total revenues of the business-type programs increased 35.97% and expenses increased by 53.50%. Food service's net position increased 23.34%. Revenues were \$87,026 more than expenses. The increase in revenues was due to the increase of student participation due to all meals being reimbursed at the higher summer feeding program rate. The increased expenses were due to the school lunch fund having too high of a fund balance. The state requires the fund balance to be below three months operating expenses, so we are currently purchasing new equipment/lunch tables in our kitchens to spend down the fund balance. The school district also filed a waiver and did not raise school lunches for the 21/22 school year to help spend down the fund balance.

The Enterprise Fund, which includes Drivers Education, the Out of School Program (OST) and preschool financial status increased. The 21/22 school year was the first year that the Winner School District ran a preschool program. The Winner School Board of Education has agreed that they want to keep fees as low as they can for parents and do not want to charge any more for Driver's Education, OST or preschool and want to supplement the shortfalls with Impact Aid.

Financial Analysis of the District's Funds

The financial analysis of the school's fund mirror those highlighted in the analysis of governmental and business-type activities presented above. The district maintains two types of business-type funds – Food Service Fund and Enterprise Fund which includes the Out of School Time program and Drivers Education program.

General Fund Budgetary Highlights

Over the course of the year, the school board revised the school budget on one occasion. The budget was supplemented at the July 11, 2022, regular board meeting in the old business section. The supplements fell into the following categories:

- Changes made due to additional carryover grant funds which became available after budget approval.
- The contingency fund line item was used to increase appropriations to prevent budget overruns at different function levels.
- Special education also had increased charges in their out of district placement costs, physical therapy and administrative costs.
- Capital outlay equipment purchases throughout the year.
- OST numbers were higher than projected and additional help was needed to stay within state guidelines on adult to student ratio.
- On June 30, 2022, the district had \$1,433,458 in its general fund reserves. The WSD supplemented the general fund budget with \$275,000 in impact aid and \$175,000 in capital outlay and \$16,454 from general fund reserves for a total of \$466,454.
 - Actual general fund revenues were 92.43% of budgeted revenues. The district goal is 100%.
 - Actual general fund expenditures were 92.59% of budgeted expenditures. The district goal is 95% for expenditures. The district continues to evaluate enrollment, student/teacher ratio and purchasing procedures to help maintain its fund balance for the upcoming years.

Capital Asset and Debt Administration

Capital Assets

By the end of 2022, the district had invested \$9,262,558 in a broad range of capital assets, including an auxiliary gym, updated school buildings, four classroom addition at the elementary school, vehicles, athletic facilities/equipment, and security and audio-visual equipment. (See Figure A-8.) This amount represents a net increase of 8.69% from last year. The main increase was the four classroom addition at the elementary school, new smartboards across campus, new security/surveillance system and campus upgrades that was paid for with ESSER Funds. Total depreciation expense for the year was \$554,334.

Figure A-8

Capital Assets (net of depreciation, in thousands of dollars)							
	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2021	2022	2021	2022	2021	2022	21-22
Land/Construction in Progress	193	956			193	956	395.34%
Equipment and Furniture	611	587	54	75	665	662	-0.91%
Buildings	6,854	6,787			6,854	6,787	-0.98%
Improvements	808	858			808	858	6.19%
Total	8,466	9,188	54	75	8,520	9,263	8.69%

Note: totals may not add due to rounding

Long-term Debt

Figure A-9

Outstanding Long-Term Debt (in thousands of dollars)

	Total School District		Percentage Change
	2021	2022	20-21
Early Retirement Payable	166	111	-33.13%
Compensated Absences	60	71	18.33%
Capital Outlay Certificates	790	660	-16.46%
Energy Efficiency Loan	213	183	-14.08%
Total	1,229	1,025	-16.60%

The district continued to pay down its debt, retiring \$130,000.00 of outstanding capital outlay certificates, leaving an outstanding balance of \$660,000 at the end of the 21/22 budget. The district refinanced its series 2015 certificates for a better rate saving the district approximately \$14,000.00 in interest. The district made the fifth payment of \$30,470 on its energy efficiency loan in 21/22 leaving it with an outstanding balance of \$182,780. This will be paid off in six years. The district has \$110,695 in outstanding early retirement payable. The district phased out their early retirement plan as of June 2021 and this amount will be paid off over the next two years.

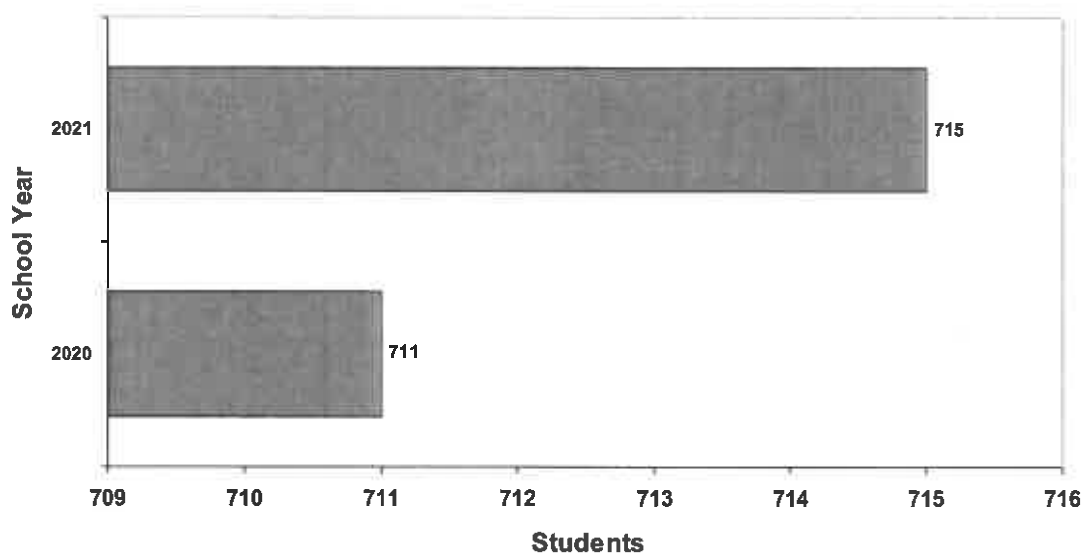
Factors bearing on the District's Future

At the time these financial statements were prepared and audited, the district was aware of a few existing circumstances that could significantly affect its financial health in the future:

- The coronavirus pandemic seems to have become part of everyday life now. The federal government has phased out CARES/ESSER funds and they must be paid down by September of 2024. The WSD has added four additional classrooms at its elementary school, purchased laptops/ipads/smartboards, purchased a new security system, gave two retention bonuses and multiple other small projects with these additional funds. The district has a plan in place to spend the remainder of the ESSER III funds by September 2024.
- The Winner School District's enrollment is shown in the chart below. In the past, the District's Student Count Day Membership has dropped from 1153 in 1996 to 708 in 2016. That is a decrease of 445 students in 20 years. In 2017, enrollment was at 723 which was an increase of 39 students from 2014. The 2020 enrollment was 711 and the 2021 was 715. The WSD's enrollment is following the same pattern as the county population. The WSD is currently budgeting students at 715 as that is where we believe our enrollment to be. The Winner School District has a transient population throughout each school year. Each monthly enrollment report from building principals shows fluctuations at almost each grade level making the budgeting process difficult due to changes in class sizes throughout the year. Another area of concern is the number of individuals homeschooling their younger children. We are keeping an eye on this to see if they only do this the first few years, or if they will continue to homeschool throughout the child's entire education.
- Impact aid is scrutinized each year. Impact aid is a federal program providing assistance to schools for federal students that are impacted by federal activities. Payments are made in lieu of property and business taxes the district cannot levy as the homes and businesses are exempt. The two categories of federal students the WSD has are children residing on Indian lands and children whose civilian parents work on federal property, but do not live on federal property. One Administrator attends the NAFIS Conference in Washington, DC twice a year to lobby for these funds for school districts.
- At the start of the 21/22 school year, the district took over the preschool that had been previously ran privately in the community. The preschool is funded through fees from parents and supplemented with impact aid to keep the program affordable to families. The district felt that preschool was a very important program that benefits our students and did not want to lose it.

- The Winner School District has impact aid money that it looks at in conjunction with the general fund balance. Moving forward, the WSD is projecting to supplement its general fund budget with impact aid and capital outlay funds and lastly general fund reserves. The Winner School District is in compliance with the caps on the General Fund Balance and Teacher Accountability. The school district moved \$335,912 into the general fund to be used for Early Retirement obligations in 19/20 and has \$110,695 in budgeted retirement expenses. The early retirement program phased out in the 20/21 school year and is no longer available for certified staff members.

Winner School District 59-2 Average Daily Membership



Contacting the District's Financial Management

This financial report is designed to provide the district's citizens, taxpayers, customers, and investors and creditors 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, contact the Business Manager's Office, Winner School District 59-2, 431 East 7th St, Winner, SD 57580.

WINNER SCHOOL DISTRICT NO. 59-2
STATEMENT OF NET POSITION
As of June 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	7,912,568.07	323,874.60	8,236,442.67
Taxes Receivable	1,771,039.73		1,771,039.73
Other Assets	706,717.27		706,717.27
Inventories		247.04	247.04
Note Receivable-Middle School Building	75,000.00		75,000.00
Net Pension Asset	1,514,020.67		1,514,020.67
Capital Assets:			
Land and Construction in Progress	956,101.29		956,101.29
Other Capital Assets, Net of Depreciation	8,231,821.03	74,635.18	8,306,456.21
TOTAL ASSETS	21,167,268.06	398,756.82	21,566,024.88
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	2,078,496.92		2,078,496.92
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,078,496.92	0.00	2,078,496.92
LIABILITIES :			
Accounts Payable	144,006.66	7,156.45	151,163.11
Other Current Liabilities	499,394.63	11,236.30	510,630.93
Unearned Revenue		31,208.58	31,208.58
Noncurrent Liabilities:			
Due Within One Year	275,817.58		275,817.58
Due in More than One Year	749,149.45		749,149.45
TOTAL LIABILITIES	1,668,368.32	49,601.33	1,717,969.65
DEFERRED INFLOWS OF RESOURCES:			
Property Taxes Levied for a Future Period	1,683,490.88		1,683,490.88
Pension Related Deferred Inflows	2,926,227.89		2,926,227.89
TOTAL DEFERRED INFLOWS OF RESOURCES	4,609,718.77	0.00	4,609,718.77
NET POSITION:			
Net Investment in Capital Assets	8,345,142.32	74,635.18	8,419,777.50
Restricted for:			
Capital Outlay Purposes	2,488,733.27		2,488,733.27
Special Education Purposes	1,073,148.11		1,073,148.11
SDRS Pension Purposes	666,289.70		666,289.70
Unrestricted	4,394,364.49	274,520.31	4,668,884.80
TOTAL NET POSITION	16,967,677.89	349,155.49	17,316,833.38

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

WINNER SCHOOL DISTRICT NO. 59-2
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Primary Government Activities:						
Instruction	4,610,429.54	1,372,853.04		(3,237,576.50)		(3,237,576.50)
Support Services	3,199,560.21	25,124.23	913,713.00	(2,224,999.19)		(2,224,999.19)
*Interest on Long-Term Debt	34,523.26			(34,523.26)		(34,523.26)
Cocurricular Activities	716,187.56			(679,720.32)		(679,720.32)
Total Governmental Activities	8,560,700.57	1,397,977.27	913,713.00	(6,176,819.27)		(6,176,819.27)
Business-type Activities:						
Food Service	432,197.12	476,218.65			87,026.39	87,026.39
Driver's Education	6,513.53				(2,513.53)	(2,513.53)
Preschool	77,881.71				(55,660.71)	(55,660.71)
Out-of-School Time	31,622.13	25,256.00			24,570.87	24,570.87
Total Business-type Activities	548,214.49	501,474.65	0.00		53,423.02	53,423.02
Total Primary Government	9,108,915.06	1,899,451.92	913,713.00	(6,176,819.27)	53,423.02	(6,123,396.25)
General Revenues:						
Taxes:						
Property Taxes				4,154,242.73		4,154,242.73
Utility Taxes				219,394.33		219,394.33
Revenue from State Sources:						
State Aid				2,562,442.72		2,562,442.72
Revenue from Federal Sources				362,046.00		362,046.00
Unrestricted Investment Earnings				47,131.81		47,131.81
Other General Revenues				237,741.49	932.10	238,673.59
Transfers				(58,174.24)	58,174.24	0.00
Total General Revenues and Transfers				7,524,824.84	59,106.34	7,583,931.18
Change in Net Position				1,348,005.57	112,529.36	1,460,534.93
Net Position - Beginning				15,619,672.32	236,626.13	15,856,298.45
NET POSITION - ENDING				16,967,677.89	349,155.49	17,316,833.38

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

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

WINNER SCHOOL DISTRICT NO. 59-2
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2022

ASSETS:	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Cash and Cash Equivalents	4,696,184.87	2,230,108.37	986,274.83	7,912,568.07
Taxes Receivable--Current	737,058.50	576,207.24	370,225.14	1,683,490.88
Taxes Receivable--Delinquent	50,082.22	22,505.90	14,960.73	87,548.85
Due from Other Government	350,658.27	236,119.00	119,940.00	706,717.27
TOTAL ASSETS	5,833,983.86	3,064,940.51	1,491,400.70	10,390,325.07
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	129,510.66		14,496.00	144,006.66
Contracts Payable	426,983.25		37,904.19	464,887.44
Payroll Deductions and Withholdings and Employer Matching Payable	40,995.25		(6,488.06)	34,507.19
Total Liabilities	597,489.16	0.00	45,912.13	643,401.29
Deferred Inflows of Resources:				
Unavailable Revenue - Property Taxes	50,082.22	22,505.90	14,960.73	87,548.85
Property Taxes Levied for a Future Period	737,058.50	576,207.24	370,225.14	1,683,490.88
Total Deferred Inflows of Resources	787,140.72	598,713.14	385,185.87	1,771,039.73
Fund Balances:				
Restricted:		2,466,227.37		2,466,227.37
Capital Outlay			1,060,302.70	1,060,302.70
Special Education				120,777.00
Assigned for Next Year's Budget	120,777.00			21,584.13
Assigned for Teacher Incentives	21,584.13			1,800.00
Assigned for American Indian College	1,800.00			226,742.91
Assigned for Pension Expenses	226,742.91			4,078,449.94
Unassigned	4,078,449.94			7,975,884.05
Total Fund Balances	4,449,353.98	2,466,227.37	1,060,302.70	10,390,325.07
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	5,833,983.86	3,064,940.51	1,491,400.70	10,390,325.07

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

WINNER SCHOOL DISTRICT NO. 59-2
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Total Fund Balances - Governmental Funds	<u>7,975,884.05</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>1,514,020.67</u>
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	<u>9,187,922.32</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>2,078,496.92</u>
Long-term liabilities, including capital outlay certificates payable, early retirement payable, and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,024,967.03)</u>
Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.	<u>87,548.85</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(2,926,227.89)</u>
Assets, such as notes receivable that are not available to pay for current period expenditures, are deferred in the funds.	<u>75,000.00</u>
Net Position - Governmental Activities	<u><u>16,967,677.89</u></u>

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

WINNER SCHOOL DISTRICT NO. 59-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

Revenues:	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	1,773,854.28	1,406,755.40	895,759.66	4,076,369.34
Prior Years' Ad Valorem Taxes	18,943.06	14,571.24	8,916.89	42,431.19
Utility Taxes	219,394.33			219,394.33
Other Taxes	0.03	0.01	0.01	0.05
Penalties and Interest on Taxes	12,411.96	4,307.01	2,517.48	19,236.45
Earnings on Investments and Deposits	28,242.45	12,488.83	6,400.53	47,131.81
Cocurricular Activities:				
Admissions	36,467.24			36,467.24
Other Revenue from Local Sources:				
Rentals	200.00			200.00
Charges for Services	15,663.82		19,859.97	35,523.79
Other	77,190.83	86,332.66	1,219.25	164,742.74
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	44,190.83			44,190.83
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	2,562,442.72			2,562,442.72
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received			25,898.00	362,046.00
Directly from Federal Government	336,148.00			
Restricted Grants-in-Aid Received from				
Federal Government Through the State	1,153,645.07	913,713.00	244,332.20	2,311,690.27
Total Revenue	6,278,794.62	2,438,168.15	1,204,903.99	9,921,866.76

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

WINNER SCHOOL DISTRICT NO. 59-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

Expenditures:	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Instruction:				
Regular Programs:				
Elementary	1,557,315.67	106,934.71		1,664,250.38
Middle/Junior High	655,119.40	64,589.56		719,708.96
High School	958,938.80	116,737.69		1,075,676.49
Special Programs:				
Programs for Special Education			849,268.72	849,268.72
Educationally Deprived	425,641.18			425,641.18
Support Services:				
Students:				
Attendance and Social Work	58,549.96			58,549.96
Guidance	221,227.44			221,227.44
Health	2,588.04			2,588.04
Psychological			28,358.75	30,946.79
Speech Pathology			29,029.00	29,029.00
Student Therapy Services			209,785.27	209,785.27
Instructional Staff:			116,388.40	116,388.40
Improvement of Instruction	5,370.02			5,370.02
Educational Media	270,666.86	12,960.94		283,627.80
General Administration:				
Board of Education	171,952.28			171,952.28
Executive Administration	178,178.63			178,178.63
School Administration:				
Office of the Principal	325,553.29			325,553.29
Title I Program Administration	57,545.16			57,545.16
Other	2,889.43			2,889.43
Business:				
Fiscal Services	206,904.85			206,904.85
Facilities Acquisition and Construction		244,916.38		244,916.38
Operation and Maintenance of Plant	632,794.33	50,143.22		682,937.55
Student Transportation	179,866.44			179,866.44
Food Services	36,440.04			36,440.04

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

WINNER SCHOOL DISTRICT NO. 59-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Expenditures (Cont.):				
Support Services:				
Special Education:				
Administrative Costs			87,181.27	87,181.27
Transportation Costs			123.48	123.48
Nonprogrammed Charges:				
Early Retirement Payments	55,347.58			55,347.58
Debt Services		209,744.51		209,744.51
Cocurricular Activities:				
Male Activities	53,422.84	9,580.76		63,003.60
Female Activities	30,221.03	21,495.86		51,716.89
Transportation	72,355.30			72,355.30
Combined Activities	312,909.73			312,909.73
Capital Outlay		1,268,327.16		1,268,327.16
Total Expenditures	6,471,798.30	2,105,430.79	1,320,134.89	9,897,363.98
Excess of Revenue Over (Under) Expenditures	(193,003.68)	332,737.36	(115,230.90)	24,502.78
Other Financing Sources:				
Transfers In	193,889.36			193,889.36
Transfers Out	(58,174.24)	(187,488.83)	(6,400.53)	(252,063.60)
General Long-Term Debt Issued		815,000.00		815,000.00
Sale of Surplus Property	43,807.92			43,807.92
Payment to Refunded Debt Escrow Agency		(800,248.75)		(800,248.75)
Total Other Financing Sources	179,523.04	(172,737.58)	(6,400.53)	384.93
Net Change in Fund Balances	(13,480.64)	159,999.78	(121,631.43)	24,887.71
Fund Balance - Beginning	4,462,834.62	2,306,227.59	1,181,934.13	7,950,996.34
FUND BALANCE - ENDING	4,449,353.98	2,466,227.37	1,060,302.70	7,975,884.05

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

WINNER SCHOOL DISTRICT NO. 59-2
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds	<u>24,887.71</u>
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 outlays exceeded depreciation in the current period.	<u>725,155.34</u>
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.	<u>(4,429.37)</u>
The receipt of principal on long-term note receivables is a revenue in the governmental funds but the payment reduces long-term receivable in the statement of net position	<u>(15,000.00)</u>
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	<u>975,470.00</u>
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements.	<u>(815,000.00)</u>
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in fund statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available." This amount reflects the application of both the application period and "availability criteria."	<u>16,205.70</u>
Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits or elect to retire early.	<u>43,711.16</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (pension expense)	<u>6,127.89</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>390,877.14</u>
Change in Net Position of Governmental Activities	<u><u>1,348,005.57</u></u>

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

WINNER SCHOOL DISTRICT NO. 59-2
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of June 30, 2022

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	285,436.73	38,437.87	323,874.60
Inventory of Donated Food	247.04		247.04
Total Current Assets	285,683.77	38,437.87	324,121.64
Noncurrent Assets:			
Capital Assets:			
Machinery and Equipment--Local Funds	236,260.48		236,260.48
Machinery and Equipment--Federal Assistance	36,565.63		36,565.63
Less: Accumulated Depreciation	(198,190.93)		(198,190.93)
Total Noncurrent Assets	74,635.18	0.00	74,635.18
TOTAL ASSETS	360,318.95	38,437.87	398,756.82
LIABILITIES:			
Current Liabilities:			
Accounts Payable	6,895.00	261.45	7,156.45
Contracts Payable	440.95	9,416.90	9,857.85
Payroll Deductions and Withholdings and Employer Matching Payable	(312.81)	1,691.26	1,378.45
Unearned Revenue - Student Revenue	16,816.23		16,816.23
Unearned Revenue - Grants	14,392.35		14,392.35
TOTAL LIABILITIES	38,231.72	11,369.61	49,601.33
NET POSITION:			
Net Investment in Capital Assets	74,635.18		74,635.18
Unrestricted Net Position	247,452.05	27,068.26	274,520.31
TOTAL NET POSITION	322,087.23	27,068.26	349,155.49

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

WINNER SCHOOL DISTRICT NO. 59-2
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2022

	Enterprise Fund		
	Food Service Fund	Other Enterprise Fund	Totals
Operating Revenue:			
Food Sales:			
Student	28,908.38		28,908.38
Ala Carte	14,096.48		14,096.48
Driver's Education		4,000.00	4,000.00
Preschool		22,221.00	22,221.00
Out of School Time		30,937.00	30,937.00
Total Operating Revenue	43,004.86	57,158.00	100,162.86
Operating Expenses:			
Food Service:			
Salaries	13,766.90		13,766.90
Employee Benefits	3,637.09		3,637.09
Purchased Services	360,678.83		360,678.83
Supplies	6,413.66		6,413.66
Cost of Sales - Donated	36,538.79		36,538.79
Depreciation	11,161.85		11,161.85
Driver's Education		6,513.53	6,513.53
Preschool		77,881.71	77,881.71
Out of School Time		31,622.13	31,622.13
Total Operating Expenses	432,197.12	116,017.37	548,214.49
Operating Income (Loss)	(389,192.26)	(58,859.37)	(448,051.63)
Nonoperating Revenue:			
Other Local Revenue		932.10	932.10
State Grants	964.05		964.05
Federal Grants	440,424.93	25,256.00	465,680.93
Donated Food	34,829.67		34,829.67
Total Nonoperating Revenue (Expense)	476,218.65	26,188.10	502,406.75
Income (Loss) Before Transfers	87,026.39	(32,671.27)	54,355.12
Transfers In		58,174.24	58,174.24
Change in Net Position	87,026.39	25,502.97	112,529.36
Net Position - Beginning	235,060.84	1,565.29	236,626.13
NET POSITION - ENDING	322,087.23	27,068.26	349,155.49

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

WINNER SCHOOL DISTRICT NO. 59-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2022

	Enterprise Fund	
	Food Service Fund	Other Enterprise Fund
		Totals
Cash Flows from Operating Activities:		
Cash Receipts from Customers	39,493.73	57,158.00
Cash Payments to Employees for Services	(17,292.52)	(85,373.81)
Cash Payments to Suppliers for Goods or Services	(434,411.12)	(21,891.72)
Net Cash Provided (Used) by Operating Activities	(412,209.91)	(50,107.53)
Cash Flows from Noncapital Financing Activities:		
Transfers from General Fund		58,174.24
Other Local Revenue		932.10
Operating Grants	503,788.83	25,875.00
Net Cash Provided (Used) from Noncapital Financing Activities	503,788.83	84,981.34
Cash Flows from Capital and Related Financing Activities:		
Purchase of Capital Assets	(32,162.06)	
Net Cash Provided (Used) from Capital & Related Financing Activities	(32,162.06)	0.00
Net Increase (Decrease) in Cash and Cash Equivalents	59,416.86	34,873.81
Cash and Cash Equivalents at Beginning of Year	226,019.87	3,564.06
CASH AND CASH EQUIVALENTS AT END OF YEAR	285,436.73	38,437.87
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (Loss)	(389,192.26)	(58,859.37)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	11,161.85	
Value of Donated Commodities Used	36,538.79	
(Increase) decrease in Prepaid Expenses	359.00	
(Decrease) Increase in Accounts and Other Payables	(67,677.63)	261.45
(Decrease) increase in Accrued Wages Payable	111.47	8,490.39
(Decrease) increase in Unearned Revenue	(3,511.13)	
Net Cash Provided (Used) by Operating Activities	(412,209.91)	(50,107.53)
Noncash Investing, Capital and Financing Activities:		
Value of Commodities Received	34,829.67	

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

WINNER SCHOOL DISTRICT NO. 59-2
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
As of June 30, 2022

	<u>Private-Purpose Trust Funds</u>	<u>Custodial Funds</u>
ASSETS:		
Cash and Cash Equivalents	<u>109,046.57</u>	<u>275,929.62</u>
TOTAL ASSETS	<u>109,046.57</u>	<u>275,929.62</u>
NET POSITION:		
Restricted for:		
Organizations		<u>275,929.62</u>
Held in Trust for Scholarships	<u>109,046.57</u>	
TOTAL NET POSITION	<u>109,046.57</u>	<u>275,929.62</u>

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

WINNER SCHOOL DISTRICT NO. 59-2
STATEMENT OF CHANGES IN NET POSITON
FIDUCIARY FUNDS
For the Year Ended June 30, 2022

	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS:		
Interest and Dividends	122.55	447.93
Collections for Student Activities & Organizations		343,254.93
Other Additions		100,804.21
Total Additions	122.55	444,507.07
DEDUCTIONS:		
Trust Deductions for Scholarships	1,064.15	
Payments for Student Activities & Organizations		330,542.25
Other Deductions		102,195.90
Total Deductions	1,064.15	432,738.15
Change in Net Position	(941.60)	11,768.92
Net Position - Beginning	109,988.17	264,160.70
NET POSITON - ENDING	109,046.57	275,929.62

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of Winner School District No. 59-2 (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); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation:

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

Governmental Funds:

General Fund – A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the school district, excluding capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

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

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

Special Education Fund – A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the district. This fund is financed by grants and property taxes. This is a major fund.

Proprietary Funds:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Other Enterprise Fund – A fund used to record financial transactions related to the driver's education, preschool and out of school time programs. This fund is financed by user charges. This is a major fund.

Fiduciary Funds:

Fiduciary funds are never considered to be major funds.

Private-Purpose Trust Fund Types – private purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains only the following private-purpose trust funds:

Scholarship funds for the benefit of students.

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay all the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Winner School District No. 59-2, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2022 are grants and gross receipts taxes from the State of South Dakota.

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

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

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

d. Deposits and Investments:

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

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

e. Capital Assets:

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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 Statements

All capital assets are valued at historical cost. Donated capital assets are valued at their estimated acquisition value on the date donated.

Interest costs incurred during the construction of general capital assets are not capitalized along with other capital asset costs.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 0.00	----N/A----	----N/A----
Improvements	\$ 5,000.00	Straight-line	25-50 yrs.
Buildings	\$ 5,000.00	Straight-line	15-75 yrs.
Machinery & Equipment	\$ 5,000.00	Straight-line	10-20 yrs.
Food Service Machinery & Equipment	\$ 500.00	Straight-line	10-12 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

f. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of compensated absences, early retirement benefits, capital outlay certificates payable, general obligation refund certificates, and an Energy Efficiency Loan.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

g. Program Revenues:

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

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

h. Deferred Inflows and Deferred Outflows of Resources

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

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

i. Proprietary Funds Revenue and Expense Classifications:

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

j. Cash and Cash Equivalents:

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

k. 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 its use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

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

l. Application of Net Position:

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

m. Fund Balance Classification Policies and Procedures:

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

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

<u>Major Special Revenue Fund:</u>	<u>Revenue Source:</u>
Capital Outlay Fund	Real Estate Taxes and Federal Grants
Special Education Fund	Real Estate Taxes and Federal Grants

n. Pensions:

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

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 as follows:

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

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

As of June 30, 2022, the School District did not have any investments.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

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

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

3. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year.

4. INVENTORY

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

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

In the fund financial statements, inventories in the General Fund, special revenue funds, and proprietary funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed in the general and special revenue funds. The cost is recorded as an expenditure at the time individual inventory items are consumed in the proprietary funds. No material supplies inventories were on hand at June 30, 2022 in the General and special revenue funds.

5. PROPERTY TAXES

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

6. NOTE RECEIVABLE

The School District sold the middle school building to the City of Winner for \$150,000.00 with \$15,000.00 due at closing and a promissory note of \$135,000.00 to be paid to the school over a ten-year period. A summary of the change in note receivable for the year ended June 30, 2022, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government:					
Governmental Activities:					
Note Receivable-					
Middle School Building	90,000.00		15,000.00	75,000.00	15,000.00
Total Governmental Activities	<u>90,000.00</u>	<u>0.00</u>	<u>15,000.00</u>	<u>75,000.00</u>	<u>15,000.00</u>

The following are the minimum payments required to be paid to the School District for the existing note receivable:

Year Ending June 30,	Note Receivable	
	Middle School Building	
	Principal	Interest
2023	15,000.00	0.00
2024	15,000.00	0.00
2025	15,000.00	0.00
2026	15,000.00	0.00
2027	15,000.00	0.00
Totals	<u>75,000.00</u>	<u>0.00</u>

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

7. CHANGES IN CAPITAL ASSETS

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

	Balance 07/01/2021	Increases	Decreases	Balance 06/30/2022
Primary Government:				
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	62,691.45			62,691.45
Construction in Progress	130,589.24	985,468.47	(222,647.87)	893,409.84
Total, not being depreciated	193,280.69	985,468.47	(222,647.87)	956,101.29
Capital Assets, being depreciated:				
Improvements	1,513,847.73	110,246.84		1,624,094.57
Buildings	10,841,705.54	310,440.74		11,152,146.28
Machinery & Equipment	1,350,416.93	84,818.98	(4,921.52)	1,430,314.39
Total, being depreciated	13,705,970.20	505,506.56	(4,921.52)	14,206,555.24
Less Accumulated Depreciation for:				
Improvements	(705,326.23)	(60,454.86)		(765,781.09)
Buildings	(3,987,257.34)	(378,033.86)		(4,365,291.20)
Machinery & Equipment	(739,470.97)	(104,683.10)	492.15	(843,661.92)
Total Accumulated Depreciation	(5,432,054.54)	(543,171.82)	492.15	(5,974,734.21)
Total Capital Assets, being depreciated, net	8,273,915.66	(37,665.26)	(4,429.37)	8,231,821.03
Governmental Activity Capital Assets, Net	8,467,196.35	947,803.21	(227,077.24)	9,187,922.32

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	145,538.92
Support Services	167,139.80
Co-curricular Activities	230,493.10
Total Depreciation Expense - Governmental Activities	543,171.82

	Balance 07/01/2021	Increases	Decreases	Balance 06/30/2022
Business-Type Activities:				
Capital Assets, being depreciated:				
Machinery & Equipment	240,664.05	32,162.06		272,826.11
Less Accumulated Depreciation for:				
Machinery & Equipment	(187,029.08)	(11,161.85)		(198,190.93)
Business-Type Activity Capital Assets, Net	53,634.97	21,000.21	0.00	74,635.18

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Food Services	11,161.85
Total Depreciation Expense - Business-Type Activities	11,161.85

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Construction Work in Progress at June 30, 2022 is composed of the following:

Project Name	Project Authorization	Expended Thru 6/30/22	Committed	Required Future Financing
Winner Elementary School Addition	\$ 2,383,687.99	\$ 890,280.28	\$ 145,710.10	\$ 1,347,697.61
Music/Art Room Remodel	71,112.48	3,129.56	67,982.92	0.00
	<u>\$ 2,454,800.47</u>	<u>\$ 893,409.84</u>	<u>\$ 213,693.02</u>	<u>\$ 1,347,697.61</u>

8. LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Energy Efficiency Loan	213,250.00		30,470.00	182,780.00	30,470.00
Limited Tax General Obligation Capital Outlay Certificates, Series 2015	790,000.00		790,000.00	0.00	0.00
Limited Tax General Obligation Refunding Certificates, Series 2021	0.00	815,000.00	155,000.00	660,000.00	165,000.00
	<u>1,003,250.00</u>	<u>815,000.00</u>	<u>975,470.00</u>	<u>842,780.00</u>	<u>195,470.00</u>
Early Retirement	166,042.74		55,347.58	110,695.16	55,347.58
Accrued Compensated Absences	59,855.45	19,958.31	8,321.89	71,491.87	25,000.00
Total Governmental Activities	<u>1,229,148.19</u>	<u>834,958.31</u>	<u>1,039,139.47</u>	<u>1,024,967.03</u>	<u>275,817.58</u>

Compensated absences for governmental activities typically have been liquidated from the General Fund and Special Education Fund. Early Retirement Benefits payable for governmental activities typically have been liquidated from the General Fund.

Liabilities Payable at June 30, 2022, is comprised of the following:

Energy Efficiency Loan:

Energy Efficiency School Loan Agreement,
Maturity Date 7-31-2027, Interest Rate 0.00%
Paid by Capital Outlay Fund

\$ 182,780.00

Capital Outlay Certificates:

Limited Tax General Obligation Refunding Certificates, Series 2021,
Maturity Date 1-15-2026, Fixed Interest Rates 0.99%
Paid by Capital Outlay Fund

\$ 660,000.00

Early Retirement Benefits Payable:

Early Retirement Benefits Payable for eligible employees,
Payable from the General Fund

\$ 110,695.16

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Compensated Absences:

Sick Leave Payable, Payment to be made by the fund
the payroll expenditures are charged to.

General Fund	\$ 69,376.55
Special Education Fund	<u>2,115.32</u>
	<u>\$ 71,491.87</u>

The annual debt service requirements to maturity, except for compensated absences, for all debt outstanding as of June 30, 2022, are as follows:

Annual Requirements to Maturity for Long-Term Debt
June 30, 2022

Year Ending June 30,	Energy Efficiency Loan		Limited Tax General Obligation C.O. Certificates, Series 2015	
	Principal	Interest	Principal	Interest
2023	30,470.00		165,000.00	6,534.00
2024	30,470.00		165,000.00	4,900.50
2025	30,470.00		165,000.00	3,267.00
2026	30,470.00		165,000.00	1,633.50
2027	30,470.00			
2028	30,430.00			
Totals	<u>182,780.00</u>	<u>0.00</u>	<u>660,000.00</u>	<u>16,335.00</u>

Year Ending June 30,	Early Retirement Payable		Totals	
	Principal	Interest	Principal	Interest
2023	55,347.58		250,817.58	6,534.00
2024	55,347.58		250,817.58	4,900.50
2025			195,470.00	3,267.00
2026			195,470.00	1,633.50
2027			30,470.00	0.00
2028			30,430.00	0.00
Totals	<u>110,695.16</u>	<u>0.00</u>	<u>953,475.16</u>	<u>16,335.00</u>

During fiscal year 2022 the School District issued \$815,000 in Limited Tax General Obligation Refunding Certificates, Series 2021 with an interest rate of 0.99 percent to refund the Limited Tax General Obligation Capital Outlay Certificates, Series 2015 with an average interest rate of 2.87 percent interest and an unpaid principal at time of refunding of \$790,000.00.

The School District refunded the debt to reduce its total debt service payments over the next five years by \$14,010.49 and to obtain an economic gain of \$13,596.68.

The entire proceeds of the refunding issue in the amount of \$800,248.75 were deposited into an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded issue. As a result, the refunded issue is considered to be defeased and the liability for that issue has been removed from the financial statements of the School District.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

9. RESTRICTED NET POSITION

Restricted net position for the fiscal year ended June 30, 2022, was as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Funds:		
Capital Outlay	Law	\$ 2,488,733.27
Special Education	Law	1,073,148.11
SDRS Pension	Governmental Accounting Standards	666,289.70
Total Restricted Net Position		<u>\$ 4,228,171.08</u>

10. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2022, were as follows:

<u>Transfers From:</u>	<u>Transfers To:</u>		<u>TOTALS</u>
	<u>General Fund</u>	<u>Other Enterprise Fund</u>	
General Fund		58,174.24	58,174.24
Capital Outlay Fund	187,488.83		187,488.83
Special Education Fund	6,400.53		6,400.53
TOTALS	<u>193,889.36</u>	<u>58,174.24</u>	<u>252,063.60</u>

Transfers of investment and deposit earnings to the General Fund are reported. SDCL 4-5-9 and 13-16-18 give the school board the authority to designate whether all such earnings should be retained by any individual funds or credited to the General Fund. The interfund transfers are not violations of the statutory restrictions on interfund transfers. Transfers to the Other Enterprise Fund were to conduct the indispensable functions of the School District. Also, a transfer of funds from the Capital Outlay Fund to the General Fund was made as allowed by state law.

11. 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 SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

Contributions:

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

2020 were \$275,629.44, \$269,501.55, and \$240,558.89, respectively, equal to the required contributions each year.

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

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

Proportionate share of pension liability	\$ 27,413,397.86
Less proportionate share of net pension restricted for pension benefits	<u>\$ 28,927,418.53</u>
Proportionate share of net pension liability (asset)	<u>\$ (1,514,020.67)</u>

At June 30, 2022, the School District reported a liability (asset) of \$(1,514,020.67) 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 0.19769700%, which is an increase (decrease) of 0.0146519% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District recognized pension expense (reduction of pension expense) of (\$397,005.04). At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 54,357.30	\$ 3,969.44
Changes in assumption.	\$ 1,741,108.35	\$ 758,199.68
Net Difference between projected and actual earnings on pension plan investments.		\$ 2,162,808.83
Changes in proportion and difference between School district contributions and proportionate share of contributions.	\$ 7,401.83	\$ 1,249.94
School District contributions subsequent to the measurement date.	<u>\$ 275,629.44</u>	
TOTAL	<u>\$ 2,078,496.92</u>	<u>\$ 2,926,227.89</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

\$275,629.44 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended	
June 30:	
2022	\$ (275,261.86)
2023	(187,148.46)
2024	(52,534.11)
2025	<u>(608,415.98)</u>
TOTAL	<u>\$ (1,123,360.41)</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 percent
Salary Increases	6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50 percent net of plan investment expense. This is composed of an average inflation of 2.25% and real returns of 4.25%
Future COLAs	2.25 percent

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

<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	100%	

Discount Rate:

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

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

The following presents the School District's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50 percent as well as what the School District'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)	\$2,451,576.14	\$(1,514,020.67)	\$(4,733,162.16)

Pension Plan Fiduciary Net Position:

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

12. RISK MANAGEMENT

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

Employee Health Insurance:

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage also includes a \$2,000,000 lifetime maximum payment per person.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

Liability Insurance:

The School District joined the Associated School Boards of South Dakota Property Liability Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The School District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the School District. The School District pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage. The School District pays an annual premium to the pool to provide coverage for: Property, Crime, General Liability, Automobile, Boiler & Machinery, School/Leader's Errors & Omissions and Umbrella Liability.

The agreement with the Associated School Boards of South Dakota Property Liability Fund provides that the above coverages will be provided to a \$2,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limit. The School District carries various deductibles for the above coverages.

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 during the past three years.

Worker's Compensation:

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 provided 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 worker's compensation coverage, to obtain low 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 worker's 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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$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 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, one claim was filed for unemployment benefits. This claim resulted in the payment of benefits in the amount of \$226.50. At June 30, 2022, no claims had been filed for unemployment benefits nor were any anticipated.

13. SIGNIFICANT CONTINGENCIES – LITIGATION

At June 30, 2022, the School District was not involved in any significant litigation other than the above mentioned.

14. EARLY RETIREMENT BENEFITS

Any Member of the Bargaining Unit hired before 2009, who has completed at least ten (10) years of consecutive employment with the Winner School District as a full-time certified teacher as of June 30 of the year, and the sum of whose age plus the number of years of credited service equals at least eighty-five (85) as of June 30th, may elect early retirement. As used in the preceding sentence, the 'number of years of credited service' shall be the number of years that the Member has taught full-time as a certified teacher in any accredited school system. The early retirement program was phased out in the 2020-2021 school year and is no longer available for certified staff members.

A Member of the Bargaining Unit who is qualified for early retirement and who elects to take early retirement must notify the Superintendent thereof in writing prior to May 15th of the year which precedes the school year at the end of which such early retirement will occur. However, the Board may excuse lack of sufficient notice and may authorize a Member's early retirement if it determines that extraordinary circumstances exist which were not foreseeable at the time when notice was otherwise due, so long as the Member's early retirement will not cause undue harm or hardship to the District.

Starting with the 2010/2011 contract year, if a Member of the Bargaining Unit withdraws his/her letter of intent more than one time, he/she will waive his/her right to retirement benefits.

Members of the bargaining unit, who wish to retire and receive the retirement benefits at the end of that current year, will submit a written resignation prior to the first day of second semester.

Upon such early retirement, the Member shall be entitled to receive a cash payment that is equal to seventy-five percent (75%) of the Member's last effective contracted annual salary, exclusive of extra duty pay.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The cash payments shall be payable in four equal payments to be paid as follows: one fourth of the lump sum to be paid on the June 30th immediately following retirement and one fourth on each subsequent June 20th until paid in full.

In the event the Member of the Bargaining Unit dies while all or any part of these early retirement benefits remain unpaid, such benefits shall be paid to the designated beneficiary of the Member, or to the Member's estate.

A Member of the Bargaining Unit electing early retirement shall have the opportunity to convert the then-existing health insurance program, at the Member's expense, providing notice of intent to convert is submitted to the group insurance administrator within sixty (60) days of the elected retirement date.

15. CONFLICT OF INTEREST DISCLOSURES

The business manager of the school is the scheduling coordinator for K & D Bussing which provides the bussing services for the School District.

16. SUBSEQUENT EVENTS

Managements has evaluated whether any subsequent events have occurred through February 7, 2023, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION
WINNER SCHOOL DISTRICT NO. 59-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	1,736,949.00	1,736,949.00	1,773,854.28	36,905.28
Prior Years' Ad Valorem Taxes	20,000.00	20,000.00	18,943.06	(1,056.94)
Tax Deed Revenue	1,000.00	1,000.00	0.00	(1,000.00)
Utility Taxes	235,000.00	235,000.00	219,394.33	(15,605.67)
Other Taxes	0.00	0.00	0.03	0.03
Penalties and Interest on Taxes	9,000.00	9,000.00	12,411.96	3,411.96
Earnings on Investments and Deposits	3,500.00	3,500.00	6,737.86	3,237.86
Cocurricular Activities:				
Admission	30,000.00	30,000.00	36,467.24	6,467.24
Other Revenue from Local Sources:				
Rentals	500.00	500.00	200.00	(300.00)
Charges for Services	8,500.00	8,500.00	15,663.82	7,163.82
Other	51,000.00	51,000.00	77,190.83	26,190.83
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	25,000.00	25,000.00	44,190.83	19,190.83
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	2,528,366.00	2,528,366.00	2,562,442.72	34,076.72
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	1,346,032.00	1,346,032.00	1,153,645.07	(192,386.93)
Total Revenue	5,994,847.00	5,994,847.00	5,921,142.03	(73,704.97)
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	1,617,457.00	1,617,457.00	1,557,315.67	60,141.33
Middle/Junior High	709,993.00	709,993.00	655,119.40	54,873.60
High School	1,048,393.00	1,048,393.00	958,938.80	89,454.20
Special Programs:				
Gifted and Talented	25,000.00	25,000.00	0.00	25,000.00
Educationally Deprived	488,669.00	488,669.00	425,641.18	63,027.82
Support Services:				
Students:				
Attendance and Social Work	64,353.00	64,353.00	58,549.96	5,803.04
Guidance	243,033.00	243,033.00	221,227.44	21,805.56
Health	3,000.00	3,000.00	2,588.04	411.96

REQUIRED SUPPLEMENTARY INFORMATION
WINNER SCHOOL DISTRICT NO. 59-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Expenditures (Cont.):				
Support Services:				
Instructional Staff:				
Improvement of Instruction	45,126.00	45,126.00	5,370.02	39,755.98
Educational Media	243,636.00	243,636.00	270,666.86	(27,030.86)
General Administration:				
Board of Education	165,095.00	171,952.28	171,952.28	0.00
Executive Administration	175,506.00	178,178.63	178,178.63	0.00
School Administration:				
Office of the Principal	326,282.00	326,282.00	325,553.29	728.71
Title I Program Administration	54,800.00	57,545.16	57,545.16	0.00
Other	8,500.00	8,500.00	2,889.43	5,610.57
Business:				
Fiscal Services	221,060.00	221,060.00	206,904.85	14,155.15
Operation and Maintenance of Plant	706,493.00	706,493.00	632,794.33	73,698.67
Student Transportation Services	196,819.00	198,616.37	179,866.44	18,749.93
Food Services	48,297.00	50,919.78	36,440.04	14,479.74
Nonprogrammed Charges:				
Early Retirement Payments	57,555.00	57,555.00	55,347.58	2,207.42
Cocurricular Activities:				
Male Activities	44,500.00	53,422.84	53,422.84	0.00
Female Activities	46,750.00	46,750.00	30,221.03	16,528.97
Transportation	74,500.00	74,500.00	72,355.30	2,144.70
Combined Activities	334,300.00	348,157.66	312,909.73	35,247.93
Contingencies	35,000.00	35,000.00		
Amount Transferred		(34,107.78)		892.22
Total Expenditures	6,984,117.00	6,989,484.94	6,471,798.30	517,686.64
Excess of Revenue Over (Under)				
Expenditures	(989,270.00)	(994,637.94)	(550,656.27)	443,981.67
Other Financing Sources (Uses):				
Transfers In	668,701.00	668,701.00	490,393.95	(178,307.05)
Sale of Surplus Property	15,000.00	15,000.00	43,807.92	28,807.92
Total Other Financing Sources (Uses)	683,701.00	683,701.00	534,201.87	(149,499.13)
Net Change in Fund Balances	(305,569.00)	(310,936.94)	(16,454.40)	294,482.54
Fund Balance - Beginning	1,449,911.92	1,449,911.92	1,449,911.92	0.00
FUND BALANCE - ENDING	1,144,342.92	1,138,974.98	1,433,457.52	294,482.54

REQUIRED SUPPLEMENTARY INFORMATION
WINNER SCHOOL DISTRICT NO 59-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	1,400,000.00	1,400,000.00	1,406,755.40	6,755.40
Prior Years' Ad Valorem Taxes	0.00	0.00	14,571.24	14,571.24
Other Taxes	0.00	0.00	0.01	0.01
Penalties and Interest on Taxes	0.00	0.00	4,307.01	4,307.01
Earnings on Investments and Deposits	0.00	0.00	12,488.83	12,488.83
Other Revenue from Local Sources:				
Other	79,667.00	79,667.00	86,332.66	6,665.66
Revenue from Federal Sources:				
Restricted Grants-in-Aid Received from Federal Government Through the State	1,993,685.60	1,993,685.60	913,713.00	(1,079,972.60)
Total Revenue	3,473,352.60	3,473,352.60	2,438,168.15	(1,035,184.45)
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	153,148.99	153,148.99	117,681.71	35,467.28
Middle/Junior High	105,559.03	105,559.03	69,229.56	36,329.47
High School	132,727.58	136,169.01	135,026.03	1,142.98
Support Services:				
Instructional Staff:				
Educational Media	40,000.00	40,000.00	16,218.18	23,781.82
Business:				
Facilities Acquisition and Construction	2,447,000.00	2,447,000.00	1,459,368.46	987,631.54
Operation and Maintenance of Plant	65,000.00	65,000.00	53,263.22	11,736.78
Student Transportation Services	25,000.00	25,000.00	0.00	25,000.00
Food Services	15,000.00	15,000.00	0.00	15,000.00
Debt Services	201,968.00	201,968.00	209,744.51	(7,776.51)
Cocurricular Activities:				
Male Activities	15,000.00	15,000.00	9,580.76	5,419.24
Female Activities	15,000.00	21,495.86	21,495.86	0.00
Combined Activities	10,000.00	13,822.50	13,822.50	0.00
Total Expenditures	3,225,403.60	3,239,163.39	2,105,430.79	1,133,732.60
Excess of Revenue Over (Under)				
Expenditures	247,949.00	234,189.21	332,737.36	98,548.15

REQUIRED SUPPLEMENTARY INFORMATION
WINNER SCHOOL DISTRICT NO 59-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Other Financing Sources (Uses):				
Transfers Out	(310,000.00)	(310,000.00)	(187,488.83)	122,511.17
Proceeds of General Long-Term				
Liabilities	0.00	0.00	815,000.00	815,000.00
Payment to Refunded Debt Escrow	0.00	0.00	(800,248.75)	(800,248.75)
Total Other Financing Sources (Uses)	(310,000.00)	(310,000.00)	(172,737.58)	137,262.42
Net Change in Fund Balances	(62,051.00)	(75,810.79)	159,999.78	235,810.57
Fund Balance - Beginning	2,306,227.59	2,306,227.59	2,306,227.59	0.00
FUND BALANCE - ENDING	2,244,176.59	2,230,416.80	2,466,227.37	235,810.57

REQUIRED SUPPLEMENTARY INFORMATION
WINNER SCHOOL DISTRICT NO. 59-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	860,000.00	860,000.00	895,759.66	35,759.66
Prior Years' Ad Valorem Taxes	8,500.00	8,500.00	8,916.89	416.89
Other Taxes	0.00	0.00	0.01	0.01
Penalties and Interest on Taxes	1,400.00	1,400.00	2,517.48	1,117.48
Earnings on Investments and Deposits	7,500.00	7,500.00	6,400.53	(1,099.47)
Other Revenue from Local Sources:				
Charges for Services	20,500.00	20,500.00	19,859.97	(640.03)
Other	0.00	0.00	1,219.25	1,219.25
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received				
Directly from Federal Government	25,000.00	25,000.00	25,898.00	898.00
Restricted Grants-in-Aid Received				
from Federal Government				
Through the State	262,071.00	262,071.00	244,332.20	(17,738.80)
Total Revenue	1,184,971.00	1,184,971.00	1,204,903.99	19,932.99
Expenditures:				
Instruction:				
Special Programs:				
Programs for Special Education	970,820.00	993,662.33	849,268.72	144,393.61
Support Services:				
Students:				
Health	40,000.00	40,000.00	28,358.75	11,641.25
Psychological	42,000.00	42,000.00	29,029.00	12,971.00
Speech Pathology	216,314.00	216,314.00	209,785.27	6,528.73
Student Therapy Services	110,500.00	117,979.69	116,388.40	1,591.29
Special Education:				
Administrative Costs	81,106.00	87,181.27	87,181.27	0.00
Transportation Costs	9,750.00	9,750.00	123.48	9,626.52
Total Expenditures	1,470,490.00	1,506,887.29	1,320,134.89	186,752.40
Excess of Revenue Over (Under)				
Expenditures	(285,519.00)	(321,916.29)	(115,230.90)	206,685.39
Other Financing Sources (Uses):				
Transfers Out	(7,500.00)	(7,500.00)	(6,400.53)	1,099.47
Total Other Financing Sources (Uses)	(7,500.00)	(7,500.00)	(6,400.53)	1,099.47

REQUIRED SUPPLEMENTARY INFORMATION
WINNER SCHOOL DISTRICT NO. 59-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Net Change in Fund Balances	(293,019.00)	(329,416.29)	(121,631.43)	207,784.86
Fund Balance - Beginning	1,181,934.13	1,181,934.13	1,181,934.13	0.00
FUND BALANCE - ENDING	888,915.13	852,517.84	1,060,302.70	207,784.86

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.

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 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 by number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the 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 moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
11. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

12. The following reconciles the USGAAP Basis fund balance to the Budgetary Basis fund balance:

	<u>Year Ended 6/30/2022</u>
General Fund:	
USGAAP Basis Fund Balance	\$ 4,449,353.98
(Deduct) Impact Aid Revenue	(357,652.59)
Impact Aid Beginning Balance	(3,012,922.70)
Impact Aid Transfer Out	<u>354,678.83</u>
Net Adjustment to GAAP Basis Fund Balance	<u>(3,015,896.46)</u>
Budgetary Basis Fund Balance	<u><u>\$ 1,433,457.52</u></u>

Note 2. GAAP/Budgetary Accounting Basis Differences

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

REQUIRED SUPPLEMENTARY INFORMATIONSCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System		Last 8 Fiscal Years *							
		2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability/asset		0.1976970%	0.1830451%	0.1856854%	0.1882289%	0.1856906%	0.1843918%	0.1815497%	0.1795978%
District's proportionate share of net pension liability (asset)		\$ (1,514,021)	\$ (7,950)	\$ (19,678)	\$ (4,390)	\$ (16,852)	\$ 622,857	\$ (770,004)	\$ (1,293,929)
District's covered-employee payroll		\$ 4,491,682	\$ 4,009,306	\$ 3,948,051	\$ 3,913,767	\$ 3,772,840	\$ 3,506,199	\$ 3,314,571	\$ 3,143,827
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		33.71%	0.20%	0.50%	0.11%	0.45%	17.76%	23.23%	41.16%
Plan fiduciary net position as a percentage of the total pension liability (asset)		105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 06/30 of the previous year. Until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS

South Dakota Retirement System

*Last 8 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 275,629	\$ 269,502	\$ 240,559	\$ 236,883	\$ 234,892	\$ 226,384	\$ 210,373	\$ 198,875
Contributions in relation to the contractually required contribution	\$ 275,629	\$ 269,502	\$ 240,559	\$ 236,883	\$ 234,892	\$ 226,384	\$ 210,373	\$ 198,875
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4,593,348	\$ 4,491,682	\$ 4,009,306	\$ 3,948,051	\$ 3,913,757	\$ 3,772,840	\$ 3,506,199	\$ 3,314,571
Contributions as a percentage of covered-employee payroll	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

* Until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

**Notes to Required Supplementary Information
for the Year Ended June 30, 2022**
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions.

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

Actuarial Method Changes

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

WINNER SCHOOL DISTRICT NO. 58-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Award Identification Number	Federal CFDA Number	Expenditures FY 2022
US Department of Agriculture:			
Pass-Through the SD Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	20223SD310N1099	10.555	36,538.79
Cash Assistance:			
School Breakfast Program (Note 3)	20213SD310N1099	10.553	45,265.17
National School Lunch Program (Note 3)	20223SD310N1099	10.555	340,418.04
Summer Food Service Program (Note 3)		10.559	54,741.72
Total for Child Nutrition Cluster			476,963.72
Fresh Fruit and Vegetable Program		10.582	25,124.23
Total US Department of Agriculture			502,087.95
US Department of Education:			
Direct Federal Funding:			
Impact Aid (Title VIII of ESEA) (Note 4)		84.041	359,072.24
Indirect Federal Funding:			
Pass-Through the SD Department of Education:			
Special Education Cluster:			
Special Education - Grants to States	H027A210091	84.027A	185,040.52
Special Education - Grants to States-ARP	H027A210091	84.027X	46,286.00
Special Education - Preschool Grants	H173A210091	84.173A	6,725.00
Special Education - Preschool Grants-ARP	H173A210091	84.173X	4,099.00
Total for Special Education Cluster			242,150.52
Other Programs:			
Title I Grants to Local Educational Agencies	S010A210041	84.010	483,190.00
Career & Technical Education - Basic Grants to States	V048A210041	84.048	851.84
Special Education - Grants for Infants and Families		84.181	1,694.46
Improving Teacher Quality State Grants	S367A210039	84.367	76,357.00
Rural Education		84.358	15,149.00
Student Support and Academic Enrichment Program	S424A210043	84.424A	38,545.00
Elementary and Secondary School Emergency Relief Fund (Note 4)		84.425D	792,027.00
Elementary and Secondary School Emergency Relief Fund (Note 4)		84.425U	636,114.00
Total US Department of Education			2,645,151.06
US Department of Health and Human Services - Pass-Through Programs From:			
SD Department of Social Services:			
COVID 19-Child Care Discretionary Grants		93.575	25,256.00
Total US Department of Health and Human Services			25,256.00
GRAND TOTAL			3,172,495.01

WINNER SCHOOL DISTRICT NO. 58-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Note 1: *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2022. The information in this Schedule 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 cash flows of the School District.

Note 2: *Summary of Significant Accounting Policies*

Expenditures reported on 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The School District has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: *Federal Reimbursement*

Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

Note 4: *Major Federal Financial Assistance Program*

This represents a Major Federal Financial Assistance Program.