

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

**AUDIT REPORT**

**FISCAL YEAR JULY 1, 2017 TO JUNE 30, 2018**

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

WINNER SCHOOL DISTRICT NO. 59-2

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WINNER SCHOOL DISTRICT NO. 59-2  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2018

BOARD MEMBERS:

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

SUPERINTENDENT:

Keven Morehart

BUSINESS MANAGER:

Laura Root

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105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

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, 2018 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 November 21, 2018.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2018-001 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

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  
November 21, 2018

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

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

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, 2018. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the School District's compliance.

Opinion on Each Major Federal Program

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, 2018.

## Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

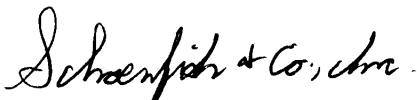
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 2018-001 to be a material weakness.

The School District's response to the noncompliance 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 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 purposes. 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  
 November 21, 2018

*Schoenfish & Co., Inc.*

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SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

PRIOR FEDERAL AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2017-001:

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 will continue to analyze different policies and procedures to address this ongoing issue and is currently working on an internal control policy to address this issue.

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 2017-001.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Summary 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 2018-001.
- 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 2018-001.
- 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 2018-001.
- g. The federal awards tested as major programs were:
 

1. Title I Grants to Local Educational Agencies	CFDA No. 84.010
2. Child Nutrition Cluster	
a. School Breakfast Program	CFDA No. 10.553
b. National School Lunch Program	CFDA No. 10.555
- 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 2018-001:

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 Title I Grants to Local Educational Agencies, CFDA No. 84.010; School Breakfast Program, CDS No. 10.553; and National School Lunch Program, CFDA No. 10.555.

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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 2018-001.

CLOSING CONFERENCE

The audit was discussed with the school board president, the superintendent, and the business manager on November 27, 2018.

**BOARD OF EDUCATION:**

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

**ADMINISTRATION:**

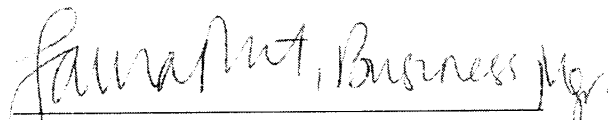
KEVEN MOREHART, Superintendent  
 GERALD WITTE, High School Principal  
 Technology Coordinator  
 DAN AAKER, Middle School Principal  
 Activities Director  
 BRIAN NAASZ, Elementary Principal  
 Special Education Coordinator  
 KIM DEMERS, Curriculum/Title 1 Coordinator  
 LAURA ROOT, Business Manager

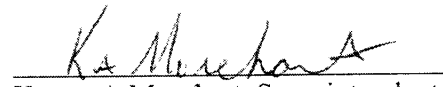
### Corrective Action Plan

Finding Number 2018-001: 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 Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Winner School District No. 59-2, South Dakota, (School District) as of June 30, 2018 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Winner School District No. 59-2 as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the 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 on pages 12 through 21, 56 through 60, 63, and 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *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 is required *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2018 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.  
Certified Public Accountants  
November 21, 2018

## Winner School District 59-2 Management Discussion and Analysis Year End June 30th, 2018

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, 2018. Please read it in conjunction with the district's financial statements, which immediately follow this section.

### Financial Highlights

- The District's financial status increased slightly from June of 2017: Total net position increased by 1.45% or \$224,757. Current assets and other assets increased by 8.71% and capital assets, net of depreciation decreased 14.07% and long term debt outstanding decreased 31.72%.
- Overall governmental revenues were \$7,730,847; governmental expenses were \$229,177 less than revenue.
- The total cost of basic programs decreased 3.95% to \$7,501,670.
- The district took out a \$304,660 Energy efficient loan at 0% interest for a HVAC/LED project at the Armory and Elementary School. This loan will be paid off over ten years. The district also paid \$145,000 of capital outlay certificates leaving a balance of \$1,230,000 for the Aux Gym project. The District has compensated absences of \$58,696 and early retirement benefits payable of \$17,061.
- Food Service, the Out of School Time (OST) Program and the Driver's Education Program are the only business-type activities in the WSD financial statements. The Food Service Fund financial status decreased slightly. Adjustments were made to staffing in the OST Program, meal prices were increased slightly for 18/19 budget year and Driver's Education will still be supplemented with Impact Aid funds and enterprise fund balance to keep the program affordable to parents. All business-type activities net position as of June 30, 2018 was \$96,167 which is down \$1,045 from June 30, 2017.

### Overview of the Financial Statements

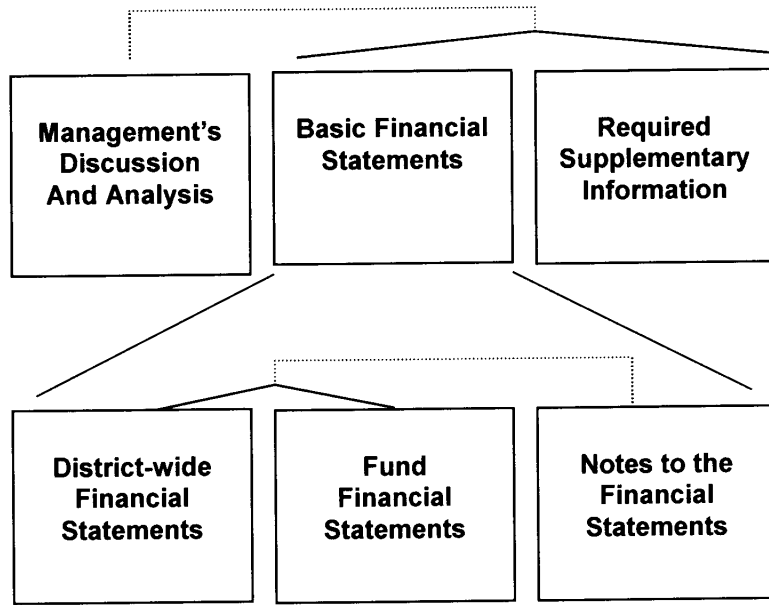
This annual report consists of three parts: Management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

- 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 offer 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 funds 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**



**Summary** ←————→ **Detail**

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.

<b>Figure A-2 Major Features of the District-Wide and Fund Financial Statements</b>				
	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	<ul style="list-style-type: none"> <li>Statement of net position</li> <li>Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>Balance sheet</li> <li>Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>Balance sheet</li> <li>Statement of revenues, expenses, and changes in net assets</li> <li>Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>Statement of fiduciary net assets</li> <li>Statement of changes in fiduciary net assets</li> </ul>
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 there-after; 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/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

### ***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, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 – difference between the district's assets plus deferred outflows of resources and liabilities plus 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 and Out of School Time (OST) 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 district's combined net position was slightly higher on June 30, 2018, than it was the year before, increasing 1.45% to \$15,648,858. (See figure A-3) Current assets & Other assets increased by 8.71% and capital assets, net of depreciation decreased by 14.07%. The district also decreased their Long-Term Debt Outstanding by 31.72%.

Figure A-3

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2017	2018	2017	2018	2017	2018	2017-2018
Current & Other Assets	8,637	9,396	57	56	8,694	9,452	8.72%
Capital Assets, Net of Depr.	9,862	8,467	53	52	9,915	8,519	-14.08%
<b>Total Assets</b>	<b>18,499</b>	<b>17,863</b>	<b>110</b>	<b>108</b>	<b>18,609</b>	<b>17,971</b>	<b>-3.43%</b>
Pension Related Deferred Outflows	1,509	1,813			1,509	1,813	20.15%
<b>Total Deferred Outflows of Resources</b>	<b>1,509</b>	<b>1,813</b>	<b>0</b>	<b>0</b>	<b>1,509</b>	<b>1,813</b>	<b>20.15%</b>
Long-Term Debt Outstanding	2,358	1,610			2,358	1,610	-31.72%
Other Liabilities	528	576	13	12	541	588	8.69%
<b>Total Liabilities</b>	<b>2,886</b>	<b>2,186</b>	<b>13</b>	<b>12</b>	<b>2,899</b>	<b>2,198</b>	<b>-24.18%</b>
Taxes Levied for Future Period	1,780	1,600			1,780	1,600	-10.11%
Pension Related Deferred Inflows	15	338			15	338	2153.33%
<b>Total Deferred Inflows of Resources</b>	<b>1,795</b>	<b>1,938</b>	<b>0</b>	<b>0</b>	<b>1,795</b>	<b>1,938</b>	<b>7.97%</b>
Net Investment in Capital Assets	8,487	6,933	53	52	8,540	6,985	-18.21%
Restricted	3,738	5,127			3,738	5,127	37.16%
Unrestricted	3,102	3,492	44	44	3,146	3,536	12.40%
<b>Total Net Position</b>	<b>15,327</b>	<b>15,552</b>	<b>97</b>	<b>96</b>	<b>15,424</b>	<b>15,648</b>	<b>1.45%</b>
Beginning Net Position	15,332	15,327	106	97	15,438	15,424	-0.09%
Change in Net Position	-5	225	(9)	(1)	(14)	224	1700.00%
% Change in Net Position	-0.03%	1.47%	-8.49%	-1.03%	-0.09%	1.45%	

The district's financial position remained consistent during the 17/18 school year. Current & Other Assets increased as fund balances were not used to fund any building projects in 17/18 as they did in 16/17 and 15/16 for the Auxiliary Gym project. The Winner School District did take out a \$304,660 Energy Efficient Loan from the state at 0% interest for the Armory HVAC/Elementary LED project. This will be paid back over ten years. A \$145,000 payment on the Auxiliary gym debt was paid leaving the balance on that capital outlay certificate at \$1,230,000. The district sold the former Middle School Building to the City for \$150,000 over a ten year payment period which decreased the capital assets, net of depreciation.

**Changes in net position.** The district's total revenues decreased 0.82% to \$8,100,489. Property/Gross Receipt taxes decreased 5.83%, State Aid went up 9.24% with change in the state aid formula and increased enrollment from 16/17. Operating Grants and Contributions decreased 4.19%, Federal Sources increased 37.21% and other revenue decreased by 26.46%. Charges for Services decreased 9.41%, instruction expenses decreased 16.78%, interest on long-term debt decreased 27.50% and co-curricular activities decreased by 8.97%.

- In 15/16 school year, student enrollment was up 36 students for a total of 721 students. The 16/17 enrollment dropped down to 708 and the 17/18 enrollment was at 723. We will budget 710 students from here forward as that is where we believe enrollment will be. With student enrollment leveling out; this also levels out state aid revenue and makes budgeting for the future easier for the WSD.
- The state has changed the funding formula which went into effect in the 16/17 school year which increased teacher wages/benefits significantly. The civil lawsuit was finished as of June of 2017 and the Winner School District has been released from the Consent Decree which will decrease legal fees/professional fees going forward for the district.
- The increase of 37.21% in revenue from federal sources not restricted for specific programs was mainly in impact aid funding.
- Some of the decreases in expenses included administration and custodial costs, legal/consent decree completion. Bussing costs were down and some energy efficient/propane usage practices were changed.

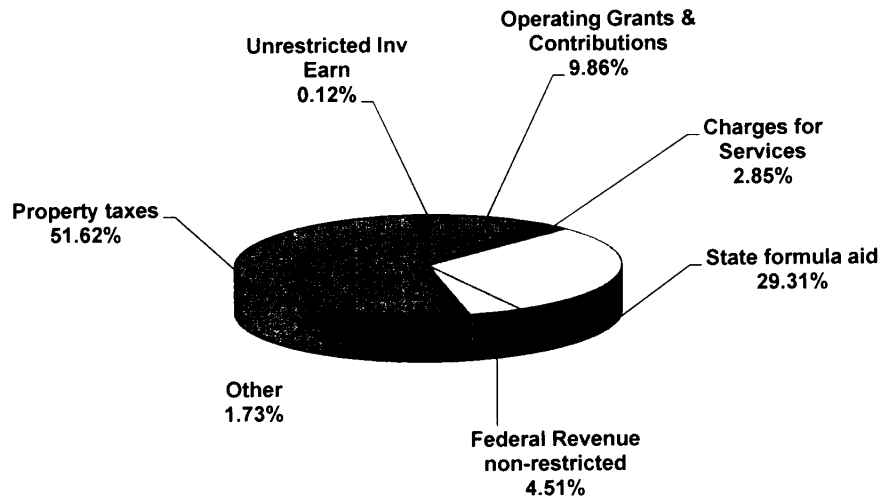
Total revenues were higher than total expenses, increasing the school's net position \$224,757 from the last year. Business-like activities expenses surpassed revenues by \$4,420 before transfers. Total governmental revenues decreased by 1.00% or \$77,575. The total school district revenues decreased by 0.82%. Total school district expenses decreased 3.71% or \$304,661 and business-like activities expenses increased \$4,109. Overall net position of the district increased 1.45% or \$224,757.

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

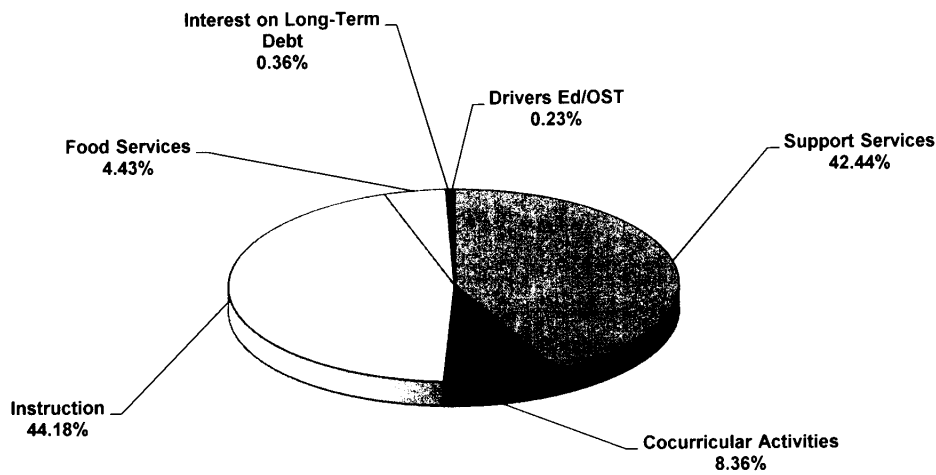
	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2017	2018	2017	2018	2017	2018	2017-2018
<b>Program Revenues:</b>							
Charges for Services	83	64	172	167	255	231	-9.41%
Operating Grants & Contr.	648	596	186	203	834	799	-4.19%
<b>General Revenues:</b>							
Property taxes	4,441	4,182			4,441	4,182	-5.83%
State formula aid	2,173	2,374			2,173	2,374	9.24%
Revenue from Federal Sources not restricted for specific programs	266	365			266	365	37.21%
Unrestricted Investment Earnings	10	10			10	10	0.00%
Other General Revenue	188	139	1		189	139	-26.46%
<b>Total Revenues</b>	<b>7,809</b>	<b>7,730</b>	<b>359</b>	<b>370</b>	<b>8,168</b>	<b>8,100</b>	<b>-0.82%</b>
<b>Expenses:</b>							
Instruction	4,163	3,471	8	9	4,171	3,480	-16.62%
Support Services	2,883	3,343			2,883	3,343	15.95%
Community Services			22	16	22	16	-16.66%
Interest on Long-Term Debt	40	29			40	29	-27.50%
Cocurricular Activities	724	659			724	659	-8.97%
Food Service			340	349	340	349	2.64%
<b>Total Expenses</b>	<b>7,810</b>	<b>7,502</b>	<b>370</b>	<b>374</b>	<b>8,180</b>	<b>7,876</b>	<b>-3.71%</b>
Excess (deficiency) before Transfers & Special Items	(1)	228	(11)	(4)	(12)	224	
Transfers	(3)	(3)	3	3	0	0	
Change in Net Position	(4)	225	(8)	(1)	(12)	224	
<b>Net Position - Ending</b>	<b>15,327</b>	<b>15,552</b>	<b>97</b>	<b>96</b>	<b>15,424</b>	<b>15,648</b>	

Note: totals may not add due to rounding.

**Figure A-5, Winner School District, Sources of Revenue for Fiscal Year 2018**



**Figure A-6, Winner School District, Functional Expenses for Fiscal Year 2018**



***Governmental Activities***

Revenues for the district’s governmental activities decreased 1.00% or by \$77,575. Total expenses for governmental activities decreased by 3.71% or by \$304,661. The increase in net position for governmental activities was \$225,802 or 1.45% in 2018.

***Business-type Activities***

Food service’s financial status decreased slightly. Expenses were \$1,427 more than revenue. Expenses increased \$9,194 or 2.70% and revenues also increased by \$12,868 or 3.84% in 2018. This was due to the increase of student participation and federal revenue. The Enterprise Account which includes Driver’s Education and the Out of School Program (OST)’s financial status increased slightly. OST expenses were \$46 less than revenue. The Driver’s Education Program was supplemented from Impact Aid by \$3,375. Overall, the enterprise fund revenue was \$382 more than expenses. The WSD set new guidelines to be followed in the OST staffing to lower costs while still following guidelines set by the

state on student to staff ratios. The Winner School Board of Education has agreed that they do not want to charge parents any more for Driver's Education and want to supplement the shortfall 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 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 June 28, 2018 special board meeting. The supplements fell into the following categories:

- Changes made due to additional carryover grant funds which came available after budget approval.
- The contingency fund line item was used to increase appropriations to prevent budget overruns in different funds.
- Unexpected capital outlay expenses that came up throughout the school year that were not budgeted and textbooks were higher than what was budgeted. Special education also had increased appropriations in administrative costs, psychological evaluations and physical therapy costs.
- On June 30, 2018, the district had \$1,105,597 in its general fund reserves. The WSD supplemented the general fund budget with \$78,324 of general fund reserves.

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 State Legislature has set out caps on General Fund Balances that will go into effect in the 18/19 school year that result in penalties in State Aid. At the end of the 17/18 school year, the Winner School District's lowest monthly cash balance was \$494,133 which was 8.79% which did not exceed the 25% that was set by the State Legislature. There was no accountability for teacher compensation for FY2018, but will be in FY 2019. The Pension Fund will no longer be utilized for retirement expenses since the State Legislature quit taxing the \$0.30 for this. The remaining amount in the Pension Fund will be used for Early Retirement obligations.

- Actual general fund revenues were 103.4% of budgeted revenues. The district goal is 100%. The WSD supplemented the general fund \$656,336 in 16/17 and \$78,324 in 17/18. These supplements ensured that we would comply with the 25% caps in the general fund.
- Actual general fund expenditures were 95.79% 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 2018, the district had invested \$8,519,564 in a broad range of capital assets, including a new auxiliary gym, updated school buildings, vehicles, athletic facilities/equipment, and security and audio-visual equipment. (See Figure A-8.) This amount represents a net decrease of \$1,395,357 or 14.07% from last year. The decrease was due to the school selling the former Middle School to the City of Winner. This decreased Buildings by 15.4%. Total depreciation expense for the year was \$471,096.

Figure A-8

	Governmental		Business-Type		Total		Percentage Change 17-18
	Activities		Activities		School District		
	2017	2018	2017	2018	2017	2018	
Land/Construction in Progress	63	63			63	63	0.00%
Equipment and Furniture	467	436	53	52	520	488	-6.23%
Buildings	8,464	7,094			8,464	7,094	-16.18%
Improvements	868	874			868	874	0.69%
<b>Total</b>	<b>9,862</b>	<b>8,467</b>	<b>53</b>	<b>52</b>	<b>9,915</b>	<b>8,519</b>	<b>-14.07%</b>

Note: totals may not add due to rounding

### Long-term Debt

At year-end, the district had \$1,230,000 in capital outlay certificates.

Figure A-9

	Total		Percentage Change 17-18
	School District		
	2017	2018	
Early Retirement Payable	42	17	-59.52%
Compensated Absences	52	59	13.46%
Capital Outlay Certificates	1,375	1,230	-10.54%
Energy Efficiency Loan	0	305	100.00%
Insurance Deficit Payable	266	0	0.00%
<b>Total</b>	<b>1,735</b>	<b>1,611</b>	<b>-7.14%</b>

The district continued to pay down its debt, retiring \$145,000.00 of outstanding capital outlay certificates, leaving an outstanding balance of \$1,230,000 at the end of the 17/18 budget. The District added an Energy Efficient zero percent loan from the state in the amount of \$304,660. This will be paid off over the next ten years. In 15/16, the District signed a memorandum of understanding with ASBSD to pay off a one-time \$265,570 deficit. This was paid off in the 17/18 budget.

### 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:

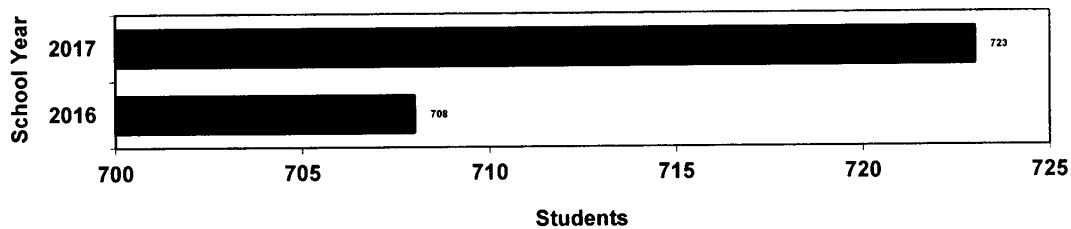
- The state aid received per child is approved through legislation on a yearly basis. There are no guarantees on how much aid the WSD will receive. Over the past seven years, the state froze state aid in 10/11 and decreased state aid in 11/12 by 8.6%. A 2.6% increase or \$100.97 per student was given in 12/13 plus approx \$30.95 in one-time money per student based on 12/13 fall enrollment and a 3.00% increase was given in 13/14 with a 3.36% increase in 14/15 which brought the per student allocation to \$4,781.14. The 15/16 per student amount was \$4,876.76. The state changed the funding formula now to a target teacher salary of \$48,500 in 16/17 and \$48,645.50 in 17/18 for teachers. The formula is a teacher/student ratio based on enrollment. Winner School District's ratio was 15 to 1 with its' 17/18 enrollment of 723. With the new state aid calculation, the state says we are currently overstaffed.
- The Amended Consent Decree was met as of June 30, 2017 and we are no longer in a lawsuit.
- 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 WSD's enrollment is following the same pattern as the county population. The WSD is currently budgeting students at 710 as that is where we believe our enrollment to be.

- As sequestration at the Federal level was implemented in January 2013, the WSD began to lose Federal funds immediately in the 12/13 school year with the Impact Aid program. Other title programs began decreasing in the 13/14 school year. As federal funding began increasing after the 12/13 cuts, the WSD added back a Reading Recovery teacher in the 15/16 school year. Funding was level in the 16/17 and increased in 17/18 school year. We also track our Impact Aid funding closely. The Federal Budget looks at this program each year when they propose their budget and it has been cut from several initial budgets. Also, when families move into Winner from our two federal housing communities, this decreases the number of federal students we have and this decreases funding.
- State Legislature set general fund balance caps starting in the 18/19 school year with penalties to state aid in the 19/20 budget year if they are not followed. The general fund balance has to be at or below 25% by 18/19 school year or penalties will go into effect. At the end of the 17/18 school year, the Winner School District's lowest monthly cash balance was \$494,133 which was 8.79% which did not exceed the 25% that was set by the State Legislature.
- There was no accountability for teacher compensation for FY2018, but will be in FY2019.

**Winner School District 59-2 Average Daily Membership**



- The open enrollment requests the WSD has received in the last few years has dramatically decreased from prior years and it is roughly a wash with students going out and students coming into the district. This has helped the Winner School District's financial position. We are now starting to see a trend of younger families' homeschooling their young 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.

### **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, P.O. Box 231, Winner, SD 57580.

**WINNER SCHOOL DISTRICT NO. 59-2**  
**STATEMENT OF NET POSITION**  
**As of June 30, 2018**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b>ASSETS:</b>			
Cash and Cash Equivalents	7,191,243.56	48,776.89	7,240,020.45
Taxes Receivable	1,647,696.82		1,647,696.82
Other Assets	404,988.56	422.00	405,410.56
Inventories		6,659.45	6,659.45
Note Receivable-Middle School Building	135,000.00		135,000.00
Net Pension Asset	16,851.61		16,851.61
Capital Assets:			
Land	62,691.45		62,691.45
Other Capital Assets, Net of Depreciation	8,404,766.03	52,107.71	8,456,873.74
<b>TOTAL ASSETS</b>	<b>17,863,238.03</b>	<b>107,966.05</b>	<b>17,971,204.08</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	1,813,323.99		1,813,323.99
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,813,323.99</b>	<b>0.00</b>	<b>1,813,323.99</b>
<b>LIABILITIES :</b>			
Accounts Payable	14,114.17		14,114.17
Other Current Liabilities	561,559.70	3,023.52	564,583.22
Unearned Revenue		8,775.89	8,775.89
Noncurrent Liabilities:			
Due Within One Year	222,530.84		222,530.84
Due in More than One Year	1,387,886.16		1,387,886.16
<b>TOTAL LIABILITIES</b>	<b>2,186,090.87</b>	<b>11,799.41</b>	<b>2,197,890.28</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Property Taxes Levied for a Future Period	1,600,122.15		1,600,122.15
Pension Related Deferred Inflows	337,657.94		337,657.94
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,937,780.09</b>	<b>0.00</b>	<b>1,937,780.09</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	6,932,797.48	52,107.71	6,984,905.19
Restricted for:			
Capital Outlay Purposes	2,116,618.30		2,116,618.30
Special Education Purposes	1,182,375.57		1,182,375.57
Pension Purposes	336,212.31		336,212.31
SDRS Pension Purposes	1,492,517.66		1,492,517.66
Unrestricted	3,492,169.74	44,058.93	3,536,228.67
<b>TOTAL NET POSITION</b>	<b>15,552,691.06</b>	<b>96,166.64</b>	<b>15,648,857.70</b>

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, 2018**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
Instruction	3,471,267.13		577,735.82		(2,893,531.31)		(2,893,531.31)
Support Services	3,342,644.57	30,099.61	18,184.31		(3,294,360.65)		(3,294,360.65)
*Interest on Long-Term Debt	28,765.00				(28,765.00)		(28,765.00)
Cocurricular Activities	658,993.37	33,559.83			(625,433.54)		(625,433.54)
Total Governmental Activities	7,501,670.07	63,659.44	595,920.13	0.00	(6,842,090.50)		(6,842,090.50)
Business-type Activities:							
Food Service	348,927.60	144,920.05	202,580.33		(1,427.22)		(1,427.22)
Driver's Education	8,624.79	5,250.00			(3,374.79)		(3,374.79)
OST Fund	16,510.62	16,557.00			46.38		46.38
Total Business-type Activities	374,063.01	166,727.05	202,580.33	0.00	(4,755.63)		(4,755.63)
Total Primary Government	7,875,733.08	230,386.49	798,500.46	0.00	(6,842,090.50)		(6,846,846.13)

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

**General Revenues:**

Taxes:							
Property Taxes					3,935,899.79		3,935,899.79
Utility Taxes					246,273.45		246,273.45
Revenue from State Sources:							
State Aid					2,373,910.79		2,373,910.79
Revenue from Federal Sources					365,212.56		365,212.56
Unrestricted Investment Earnings					10,544.07		10,544.07
Other General Revenues					139,426.71	336.00	139,762.71
Transfers					(3,374.79)	3,374.79	0.00
Total General Revenues and Transfers					7,067,892.58	3,710.79	7,071,603.37
Change in Net Position					225,802.08	(1,044.84)	224,757.24
Net Position - Beginning					15,326,888.98	97,211.48	15,424,100.46
NET POSITION - ENDING					15,552,691.06	96,166.64	15,648,857.70

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, 2018**

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
<b>ASSETS:</b>					
Cash and Cash Equivalents	3,550,942.73	2,102,796.29	1,175,347.70	352,156.84	7,181,243.56
Advanced Payments	10,000.00				10,000.00
Taxes Receivable--Current	718,519.95	514,794.65	366,807.55		1,600,122.15
Taxes Receivable--Delinquent	25,003.12	13,822.01	7,633.23	1,116.31	47,574.67
Due from Other Government	295,502.56		41,012.00		336,514.56
Prepaid Expenses	54,108.00		14,366.00		68,474.00
<b>TOTAL ASSETS</b>	<b>4,654,076.36</b>	<b>2,631,412.95</b>	<b>1,605,166.48</b>	<b>353,273.15</b>	<b>9,243,928.94</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>					
Liabilities:					
Accounts Payable	10,716.41		3,397.76		14,114.17
Contracts Payable	414,078.76		40,441.81		454,520.57
Payroll Deductions and Withholdings and Employer Matching Payable	97,685.34		9,353.79		107,039.13
Total Liabilities	522,480.51	0.00	53,193.36	0.00	575,673.87
Deferred Inflows of Resources:					
Unavailable Revenue - Property Taxes	25,003.12	13,822.01	7,633.23	1,116.31	47,574.67
Property Taxes Levied for a Future Period	718,519.95	514,794.65	366,807.55		1,600,122.15
Total Deferred Inflows of Resources	743,523.07	528,616.66	374,440.78	1,116.31	1,647,696.82
Fund Balances:					
Nonspendable - Prepaid Expenses	54,108.00		14,366.00		68,474.00
Restricted:					
Capital Outlay		2,102,796.29			2,102,796.29
Special Education			1,163,166.34		1,163,166.34
Pension Fund				352,156.84	352,156.84
Assigned for Next Year's Budget	89,559.00				89,559.00
Unassigned	3,244,405.78				3,244,405.78
Total Fund Balances	3,388,072.78	2,102,796.29	1,177,532.34	352,156.84	7,020,558.25
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>4,654,076.36</b>	<b>2,631,412.95</b>	<b>1,605,166.48</b>	<b>353,273.15</b>	<b>9,243,928.94</b>

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, 2018**

Total Fund Balances - Governmental Funds	<u>7,020,558.25</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>16,851.61</u>
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	<u>8,467,457.48</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>1,813,323.99</u>
Long-term liabilities, including capital outlay certificates payable, early retirement payable, SDSDBF Insurance Deficit, and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,610,417.00)</u>
Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.	<u>47,574.67</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(337,657.94)</u>
Assets, such as notes receivable that are not available to pay for current period expenditures, are deferred in the funds.	<u>135,000.00</u>
Net Position - Governmental Activities	<u><u>15,552,691.06</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, 2018**

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
<b>Revenues:</b>					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	1,709,071.27	1,293,120.47	859,316.34		3,861,508.08
Prior Years' Ad Valorem Taxes	21,880.33	21,146.56	11,533.67	1,493.88	56,054.44
Utility Taxes	246,273.45				246,273.45
Other Taxes	3.82	0.84	0.60		5.26
Penalties and Interest on Taxes	8,898.23	3,072.67	1,777.21	173.39	13,921.50
Earnings on Investments and Deposits	5,577.12	2,483.50	1,820.58	662.87	10,544.07
Curricular Activities:					
Admissions	33,559.83				33,559.83
Other Revenue from Local Sources:					
Rentals	3,108.38				3,108.38
Charges for Services	8,722.58		21,377.03		30,099.61
Other	100,291.85	577,819.02			678,110.87
Revenue from Intermediate Sources:					
County Sources:					
County Apportionment	36,026.48				36,026.48
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid	2,373,910.79				2,373,910.79
Revenue from Federal Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid Received Directly from Federal Government	356,519.91		8,692.65		365,212.56
Restricted Grants-in-Aid Received from Federal Government Through the State	407,385.31		188,534.82		595,920.13
Total Revenue	5,311,229.35	1,897,643.06	1,093,052.90	2,330.14	8,304,255.45

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, 2018

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
<b>Expenditures:</b>					
Instruction:					
Regular Programs:					
Elementary	1,329,830.39	54,728.60			1,384,558.99
Middle/Junior High	605,423.66	10,134.95			615,558.61
High School	907,059.71	27,608.81			934,668.52
Special Programs:			707,233.12		707,233.12
Programs for Special Education					
Coordinated Early Intervening Services (CEIS) Instruction			21,984.32		21,984.32
Educationally Deprived	296,711.46				296,711.46
Support Services:					
Students:					
Guidance	170,653.73				170,653.73
Health	1,914.50				1,914.50
Psychological			23,956.00		23,956.00
Speech Pathology			132,748.14		132,748.14
Student Therapy Services			80,778.07		80,778.07
Instructional Staff:					
Improvement of Instruction	82,076.48				82,076.48
Educational Media	189,634.04	32,063.98			221,698.02
General Administration:					
Board of Education	106,657.38				106,657.38
Executive Administration	182,219.97				182,219.97
School Administration:					
Office of the Principal	312,413.24				312,413.24
Other	929.26				929.26
Business:					
Fiscal Services	178,688.23				178,688.23
Facilities Acquisition and Construction		131,601.16			131,601.16
Operation and Maintenance of Plant	668,736.59	48,253.87			716,990.46
Student Transportation	157,331.24				157,331.24
Food Services	18,184.31	1,814.00			19,998.31

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, 2018**

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
<b>Expenditures (Cont.):</b>					
Support Services:					
Special Education:			89,096.91		89,096.91
Administrative Costs			1,984.92		1,984.92
Transportation Costs					
Nonprogrammed Charges:					
Early Retirement Payments				25,038.72	25,038.72
Debt Services		173,765.00			173,765.00
Cocurricular Activities:					
Male Activities	32,129.65	12,500.00			44,629.65
Female Activities	28,416.18	12,103.44			40,519.62
Transportation	61,392.99				61,392.99
Combined Activities	291,900.63	8,285.00			300,185.63
Capital Outlay		667,743.87			667,743.87
Total Expenditures	5,622,303.64	1,180,602.68	1,057,781.48	25,038.72	7,885,726.52
Excess of Revenue Over (Under) Expenditures	(311,074.29)	717,040.38	35,271.42	(22,708.58)	418,528.93
<b>Other Financing Sources:</b>					
Transfers In	290,966.95				290,966.95
Transfers Out	(3,374.79)	(288,483.50)	(1,820.58)	(662.87)	(294,341.74)
General Long-Term Debt Issued		304,660.00			304,660.00
Sale of Surplus Property	15,069.30				15,069.30
Total Other Financing Sources	302,661.46	16,176.50	(1,820.58)	(662.87)	316,354.51
Net Change in Fund Balances	(8,412.83)	733,216.88	33,450.84	(23,371.45)	734,883.44
Fund Balance - Beginning	3,396,485.61	1,369,579.41	1,144,081.50	375,528.29	6,285,674.81
FUND BALANCE - ENDING	3,388,072.78	2,102,796.29	1,177,532.34	352,156.84	7,020,558.25

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, 2018**

Net Change in Fund Balances - Total Governmental Funds	<u>734,883.44</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>204,456.58</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>(1,463,788.95)</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>145,000.00</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>(304,660.00)</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>4,410.51</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>18,644.31</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. (SDSDBF Insurance Deficit and pension expense)	<u>274,077.42</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>612,778.77</u>
Change in Net Position of Governmental Activities	<u><u>225,802.08</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, 2018**

	Enterprise Funds		
	Food Service Fund	Driver's Education/OST Fund	Totals
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	44,135.09	4,641.80	48,776.89
Due from Government		422.00	422.00
Inventory of Supplies	1,483.76		1,483.76
Inventory of Stores Purchased for Resale	3,184.38		3,184.38
Inventory of Donated Food	1,991.31		1,991.31
Total Current Assets	50,794.54	5,063.80	55,858.34
Noncurrent Assets:			
Capital Assets:			
Machinery and Equipment--Local Funds	177,783.57		177,783.57
Machinery and Equipment--Federal Assistance	36,821.00		36,821.00
Less: Accumulated Depreciation	(162,496.86)		(162,496.86)
Total Noncurrent Assets	52,107.71	0.00	52,107.71
<b>TOTAL ASSETS</b>	<b>102,902.25</b>	<b>5,063.80</b>	<b>107,966.05</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Contracts Payable	461.87	2,198.51	2,660.38
Payroll Deductions and Withholdings and Employer Matching Payable	63.05	300.09	363.14
Unearned Revenue	8,775.89		8,775.89
<b>TOTAL LIABILITIES</b>	<b>9,300.81</b>	<b>2,498.60</b>	<b>11,799.41</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	52,107.71		52,107.71
Unrestricted Net Position	41,493.73	2,565.20	44,058.93
<b>TOTAL NET POSITION</b>	<b>93,601.44</b>	<b>2,565.20</b>	<b>96,166.64</b>

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, 2018**

	Enterprise Fund		Totals
	Food Service Fund	Driver's Education/OST Fund	
<b>Operating Revenue:</b>			
Food Sales:			
Student	135,396.17		135,396.17
Ala Carte	9,523.88		9,523.88
Other Charges for Goods and Services:			
Driver's Education		5,250.00	5,250.00
Out of School Time		16,557.00	16,557.00
<b>Total Operating Revenue</b>	<b>144,920.05</b>	<b>21,807.00</b>	<b>166,727.05</b>
<b>Operating Expenses:</b>			
Food Service:			
Salaries	4,372.90		4,372.90
Employee Benefits	2,328.34		2,328.34
Purchased Services	309,041.92		309,041.92
Supplies	1,427.57		1,427.57
Cost of Sales - Donated	23,948.63		23,948.63
Depreciation	7,808.24		7,808.24
Driver's Education		8,624.79	8,624.79
Out of School Time		16,510.62	16,510.62
<b>Total Operating Expenses</b>	<b>348,927.60</b>	<b>25,135.41</b>	<b>374,063.01</b>
<b>Operating Income (Loss)</b>	<b>(204,007.55)</b>	<b>(3,328.41)</b>	<b>(207,335.96)</b>
<b>Nonoperating Revenue:</b>			
Other Local Revenue		336.00	336.00
State Grants	1,185.44		1,185.44
Federal Grants	177,030.60		177,030.60
Donated Food	24,364.29		24,364.29
<b>Total Nonoperating Revenue (Expense)</b>	<b>202,580.33</b>	<b>336.00</b>	<b>202,916.33</b>
<b>Income (Loss) Before Transfers</b>	<b>(1,427.22)</b>	<b>(2,992.41)</b>	<b>(4,419.63)</b>
Transfers In		3,374.79	3,374.79
<b>Change in Net Position</b>	<b>(1,427.22)</b>	<b>382.38</b>	<b>(1,044.84)</b>
Net Position - Beginning	95,028.66	2,182.82	97,211.48
<b>NET POSITION - ENDING</b>	<b>93,601.44</b>	<b>2,565.20</b>	<b>96,166.64</b>

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, 2018**

	<b>Enterprise Fund</b>		<b>Totals</b>
	<b>Food Service Fund</b>	<b>Driver's Education/OST Fund</b>	
<b>Cash Flows from Operating Activities:</b>			
Cash Receipts from Customers	144,230.12	21,385.00	165,615.12
Cash Payments to Employees for Services	(6,838.43)	(24,113.65)	(30,952.08)
Cash Payments to Suppliers for Goods or Services	(309,121.22)	(972.75)	(310,093.97)
Net Cash Provided (Used) by Operating Activities	<u>(171,729.53)</u>	<u>(3,701.40)</u>	<u>(175,430.93)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers from General Fund		3,374.79	3,374.79
Operating Grants	178,216.04		178,216.04
Other Local Revenue		336.00	336.00
Net Cash Provided (Used) from Noncapital Financing Activities	<u>178,216.04</u>	<u>3,710.79</u>	<u>181,926.83</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Purchase of Capital Assets	(6,782.98)		(6,782.98)
Net Cash Provided (Used) from Capital and Related Financing Activities	<u>(6,782.98)</u>	<u>0.00</u>	<u>(6,782.98)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(296.47)</u>	<u>9.39</u>	<u>(287.08)</u>
Cash and Cash Equivalents at Beginning of Year	44,431.56	4,632.41	49,063.97
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>44,135.09</u>	<u>4,641.80</u>	<u>48,776.89</u>
 <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	(204,007.55)	(3,328.41)	(207,335.96)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	7,808.24		7,808.24
Value of Donated Commodities Used	23,948.63		23,948.63
(Increase) decrease in Receivables		(422.00)	(422.00)
(Increase) decrease in Inventories	1,348.27		1,348.27
(Decrease) increase in Accrued Wages Payable	(137.19)	49.01	(88.18)
(Decrease) increase in Unearned Revenue	(689.93)		(689.93)
Net Cash Provided (Used) by Operating Activities	<u>(171,729.53)</u>	<u>(3,701.40)</u>	<u>(175,430.93)</u>
<b>Noncash Investing, Capital and Financing Activities:</b>			
Value of Commodities Received	24,364.29		24,364.29

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

**WINNER SCHOOL DISTRICT NO. 59-2**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**As of June 30, 2018**

	<b>Private-Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS:</b>		
Cash and Cash Equivalents	115,949.38	193,347.81
Other Assets		15,669.84
<b>TOTAL ASSETS</b>	<b>115,949.38</b>	<b>209,017.65</b>
 <b>LIABILITIES:</b>		
Amounts Held for Others		209,017.65
<b>TOTAL LIABILITIES</b>	<b>0.00</b>	<b>209,017.65</b>
 <b>NET POSITION:</b>		
Held in Trust for Scholarships	115,949.38	
<b>TOTAL NET POSITION</b>	<b>115,949.38</b>	

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

**WINNER SCHOOL DISTRICT NO. 59-2**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2018**

	<b>Private-Purpose Trust Funds</b>
<b>ADDITIONS:</b>	
Earnings from Deposits and Investments	319.51
Total Additions	319.51
<b>DEDUCTIONS:</b>	
Trust Deductions for Scholarships	1,367.50
Total Deductions	1,367.50
Change in Net Position	(1,047.99)
Net Position - Beginning	116,997.37
<b>NET POSITION - ENDING</b>	<b>115,949.38</b>

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

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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:

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.

Pension Fund – A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the School District's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by 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.



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

- 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.

Driver's Education/Out of School Time (OST) Fund – A fund used to record financial transactions related to the driver's education 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.

Agency Fund Types – agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds for the following purposes:

Funds for student activities and organizations.

c. Measurement Focus and Basis of Accounting:

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

**Measurement Focus:**

Government-wide Financial Statements:

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

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental 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, 2018 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. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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 payable, capital outlay certificates payable 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. 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.

i. Cash and Cash Equivalents:

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

j. Equity Classifications:

Government-wide 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."

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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. Proprietary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

k. Application of Net Position:

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

l. 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.

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable form such as prepaid expenses.

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
Special Education Fund	Real Estate Taxes and Federal Grants
Pension Fund	Real Estate Taxes

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

m. 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, 2018, the School District did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

**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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2018, the District’s deposits in financial institutions were exposed to custodial credit risk as follows:

<u>Depository Name</u>	<u>Percent Under- collateralized</u>	<u>At-Risk Amount</u>
First Fidelity Bank	11.41%	<u>\$ 23,571.52</u>
Total Deposits Exposed to Custodial Credit Risk		<u><u>\$ 23,571.52</u></u>

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, 2018 in the General and special revenue funds.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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.

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, 2018 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Note Receivable-					
Middle School Building	0.00	135,000.00		135,000.00	15,000.00
Total Governmental Activities	0.00	135,000.00	0.00	135,000.00	15,000.00

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
2019	15,000.00	0.00
2020	15,000.00	0.00
2021	15,000.00	0.00
2022	15,000.00	0.00
2023	15,000.00	0.00
2024-2028	60,000.00	0.00
Totals	135,000.00	0.00



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

7. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2018, is as follows:

Primary Government

	Balance 07/01/17	Increases	Decreases	Balance 06/30/18
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	62,692.45		(1.00)	62,691.45
Total, not being depreciated	<u>62,692.45</u>	<u>0.00</u>	<u>(1.00)</u>	<u>62,691.45</u>
Capital Assets, being depreciated:				
Improvements	1,428,688.78	118,849.91	(123,601.34)	1,423,937.35
Buildings	11,937,547.12	451,650.07	(2,287,978.23)	10,101,218.96
Machinery & Equipment	1,114,661.01	97,243.89	(134,925.99)	1,076,978.91
Total, being depreciated	<u>14,480,896.91</u>	<u>667,743.87</u>	<u>(2,546,505.56)</u>	<u>12,602,135.22</u>
Less Accumulated Depreciation for:				
Improvements	(560,800.20)	(50,651.07)	62,446.86	(549,004.41)
Buildings	(3,473,739.67)	(333,058.62)	799,672.43	(3,007,125.86)
Machinery & Equipment	(647,259.64)	(79,577.60)	85,598.32	(641,238.92)
Total Accumulated Depreciation	<u>(4,681,799.51)</u>	<u>(463,287.29)</u>	<u>947,717.61</u>	<u>(4,197,369.19)</u>
Total Capital Assets, being depreciated, net	<u>9,799,097.40</u>	<u>204,456.58</u>	<u>(1,598,787.95)</u>	<u>8,404,766.03</u>
Governmental Activity Capital Assets, Net	<u>9,861,789.85</u>	<u>204,456.58</u>	<u>(1,598,788.95)</u>	<u>8,467,457.48</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	118,698.98
Support Services	106,349.67
Co-curricular Activities	238,238.64
Total Depreciation Expense - Governmental Activities	<u>463,287.29</u>

	Balance 07/01/17	Increases	Decreases	Balance 06/30/18
Business-Type Activities:				
Capital Assets, being depreciated:				
Machinery & Equipment	207,821.59	6,782.98		214,604.57
Less Accumulated Depreciation for:				
Machinery & Equipment	(154,688.62)	(7,808.24)		(162,496.86)
Total capital assets, being depreciated, net	<u>53,132.97</u>	<u>(1,025.26)</u>	<u>0.00</u>	<u>52,107.71</u>
Business-Type Activity Capital Assets, Net	<u>53,132.97</u>	<u>(1,025.26)</u>	<u>0.00</u>	<u>52,107.71</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Food Services	7,808.24
Total Depreciation Expense - Business-Type Activities	<u>7,808.24</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

8. LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2018 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:					
Energy Efficiency Loan	0.00	304,660.00		304,660.00	30,470.00
Limited Tax General Obligation Capital Outlay Certificates, Series 2015	1,375,000.00		145,000.00	1,230,000.00	145,000.00
SDSDBF Insurance Deficit	265,570.00		265,570.00	0.00	0.00
Total Debt	<u>1,640,570.00</u>	<u>304,660.00</u>	<u>410,570.00</u>	<u>1,534,660.00</u>	<u>175,470.00</u>
Early Retirement	42,099.56		25,038.72	17,060.84	17,060.84
Accrued Compensated Absences	52,301.75	22,671.09	16,276.68	58,696.16	30,000.00
Total Governmental Activities	<u>1,734,971.31</u>	<u>327,331.09</u>	<u>451,885.40</u>	<u>1,610,417.00</u>	<u>222,530.84</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 Pension Fund.

Liabilities Payable at June 30, 2018, 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	\$	304,660.00
Capital Outlay Certificates:		
Limited Tax General Obligation Capital Outlay Certificates, Series 2015, Maturity Date 1-15-2026, Fixed Interest Rates 1.00% to 3.00%		
Paid by Capital Outlay Fund	\$1,230,000.00	
Early Retirement Payable:		
Early Retirement Payable, Payment to be made by the Pension Fund	\$	17,060.84
Compensated Absences:		
Sick Leave Payable, Payment to be made by the fund that the payroll expenditures are charged to.		
General Fund	\$	55,906.16
Special Education Fund		<u>2,790.00</u>
	\$	<u>58,696.16</u>

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

The annual debt service requirements to maturity, except for compensated absences, for all debt outstanding as of June 30, 2018, are as follows:

Annual Requirements to Maturity for Long-Term Debt  
June 30, 2018

Year Ending June 30,	Energy Efficiency Loan		Limited Tax General Obligation C.O. Certificates, Series 2015	
	Principal	Interest	Principal	Interest
2019	30,470.00		145,000.00	26,815.00
2020	30,470.00		145,000.00	25,075.00
2021	30,470.00		150,000.00	22,972.50
2022	30,470.00		150,000.00	20,497.50
2023	30,470.00		155,000.00	17,572.50
2024-2028	152,310.00		485,000.00	29,250.00
Totals	<u>304,660.00</u>	<u>0.00</u>	<u>1,230,000.00</u>	<u>142,182.50</u>

Year Ending June 30,	Early Retirement Payable		Totals	
	Principal	Interest	Principal	Interest
2019	17,060.84		192,530.84	26,815.00
2020			175,470.00	25,075.00
2021			180,470.00	22,972.50
2022			180,470.00	20,497.50
2023			185,470.00	17,572.50
2024-2028			637,310.00	29,250.00
Totals	<u>17,060.84</u>	<u>0.00</u>	<u>1,551,720.84</u>	<u>142,182.50</u>

9. OPERATING LEASES

The School District entered into a lease for five copiers. One yearly payment of \$24,750.00 is required each July through the lease term and is paid from the Capital Outlay Fund.

The School District entered into a lease for a planned service agreement for heating and cooling preventative maintenance. Two payments are required each year through the lease term and is paid from the Capital Outlay Fund.

The following are the minimum payments required for existing operating leases:

Year	Copier Lease	Planned Service Agreement
2019	24,750.00	40,541.00
2020	24,750.00	41,352.00
2021		42,179.00
2022		43,022.00

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

10. 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.

11. RESTRICTED NET POSITION

Restricted net position for the fiscal year ended June 30, 2018 was as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Funds:		
Capital Outlay	Law	\$ 2,116,618.30
Special Education	Law	1,182,375.57
Pension	Law	336,212.31
SDRS Pension	Governmental Accounting Standards	1,492,517.66
Total Restricted Net Position		<u><u>\$ 5,127,723.84</u></u>

12. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2018 were as follows:

<u>Transfers From:</u>	<u>Transfers To:</u>		<u>TOTALS</u>
	<u>General Fund</u>	<u>Driver's Education/OST Fund</u>	
General Fund		3,374.79	3,374.79
Capital Outlay Fund	288,483.50		288,483.50
Special Education Fund	1,820.58		1,820.58
Pension Fund	662.87		662.87
TOTALS	<u>290,966.95</u>	<u>3,374.79</u>	<u>294,341.74</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 Driver's Education/OST Fund were to conduct the indispensable functions of the School District. Also a transfer of impact aid funds from the Capital Outlay Fund to the General Fund was made as allowed by state law.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

### 13. PENSION PLAN

#### Plan Information:

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

#### Benefits Provided:

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

The annual increase in the amount of the SDRS benefits payable on each July 1<sup>st</sup> is indexed to the consumer price index (CPI) based on SDRS funded status:

- If the SDRS market value funded ratio is 100% or more – 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
  - 90.0% to 99.9% funded — 2.1% minimum and 2.8% maximum COLA
  - 80.0% to 90.0% funded — 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% -- 2.1% COLA

The 2017 legislation modified the COLA, effective for the July 1, 2018 increase:

- 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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2018, 2017, and 2016 were \$234,891.80, \$226,384.38, and \$210,372.74, 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, 2017, SDRS is 100.1% 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, 2017 and reported by the School District as of June 30, 2018 are as follows:

Proportionate share of pension liability	\$ 21,605,033.53
Less proportionate share of net pension restricted for pension benefits	<u>\$ 21,621,885.14</u>
Proportionate share of net pension liability (asset)	<u>\$ (16,851.61)</u>

At June 30, 2018, the School District reported a liability (asset) of \$(16,851.61) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017 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, 2017, the School District's proportion was 0.18569060%, which is an increase (decrease) of 0.0012988% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense (reduction of pension expense) of \$(621,286.19). At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 270,009.18	
Changes in assumption.	\$ 1,308,423.01	
Net Difference between projected and actual earnings on pension plan investments.		\$ 323,988.99
Changes in proportion and difference between School district contributions and proportionate share of contributions.		\$ 13,668.95
School District contributions subsequent to the measurement date.	<u>\$ 234,891.80</u>	
<b>TOTAL</b>	<u><u>\$ 1,813,323.99</u></u>	<u><u>\$ 337,657.94</u></u>

\$234,891.80 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, 2019. 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:	
2019	\$ 334,244.33
2020	\$ 566,218.45
2021	\$ 417,736.88
2022	<u>\$ (77,425.41)</u>
<b>TOTAL</b>	<u><u>\$ 1,240,774.25</u></u>

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00%
Discount Rate	6.50 percent net of plan investment expense

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2017 (see the discussion of the pension plan’s investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.8%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	2.0%	0.7%
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)	\$3,086,370.05	\$(16,851.61)	\$(2,543,883.22)

Pension Plan Fiduciary Net Position:

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



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

#### 14. 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, 2018, 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.

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 to \$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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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 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, 2018, no claims for unemployment benefits were paid. At June 30, 2018, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

15. SIGNIFICANT CONTINGENCIES – LITIGATION

At June 30, 2018, the School District was not involved in any significant litigation other than the above mentioned.

16. 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 30<sup>th</sup>, 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.

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 15<sup>th</sup> 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

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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.

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.

17. 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.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**WINNER SCHOOL DISTRICT NO. 59-2**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	1,582,527.00	1,582,527.00	1,709,071.27	126,544.27
Prior Years' Ad Valorem Taxes	10,000.00	10,000.00	21,880.33	11,880.33
Utility Taxes	255,000.00	255,000.00	246,273.45	(8,726.55)
Other Taxes	0.00	0.00	3.82	3.82
Penalties and Interest on Taxes	8,000.00	8,000.00	8,898.23	898.23
Earnings on Investments and Deposits	3,000.00	3,000.00	1,435.97	(1,564.03)
Cocurricular Activities:				
Admission	40,000.00	40,000.00	33,559.83	(6,440.17)
Other Revenue from Local Sources:				
Rentals	2,000.00	2,000.00	3,108.38	1,108.38
Charges for Services	8,500.00	8,500.00	8,722.58	222.58
Other	65,000.00	65,000.00	100,291.85	35,291.85
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	40,000.00	40,000.00	36,026.48	(3,973.52)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	2,368,519.00	2,368,519.00	2,373,910.79	5,391.79
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	406,458.00	406,458.00	407,385.31	927.31
<b>Total Revenue</b>	<b>4,789,004.00</b>	<b>4,789,004.00</b>	<b>4,950,568.29</b>	<b>161,564.29</b>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary	1,329,878.37	1,330,126.56	1,329,830.39	296.17
Middle/Junior High	608,132.84	608,132.84	605,423.66	2,709.18
High School	918,538.01	918,538.01	907,059.71	11,478.30
Special Programs:				
Educationally Deprived	218,836.00	296,995.03	296,711.46	283.57
Support Services:				
Students:				
Guidance	170,677.78	172,653.73	170,653.73	2,000.00
Health	2,250.00	2,250.00	1,914.50	335.50

**REQUIRED SUPPLEMENTARY INFORMATION**  
**WINNER SCHOOL DISTRICT NO. 59-2**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Expenditures (Cont.):</b>				
Support Services:				
Instructional Staff:				
Improvement of Instruction	90,221.00	90,385.97	82,076.48	8,309.49
Educational Media	211,330.35	211,330.35	189,634.04	21,696.31
General Administration:				
Board of Education	123,806.00	123,806.00	106,657.38	17,148.62
Executive Administration	188,533.00	188,533.00	182,219.97	6,313.03
School Administration:				
Office of the Principal	315,086.35	315,086.35	312,413.24	2,673.11
Title I Program Administration	64,334.00	64,334.00	0.00	64,334.00
Other	0.00	929.26	929.26	0.00
Business:				
Fiscal Services	186,393.29	186,393.29	178,688.23	7,705.06
Operation and Maintenance of Plant	648,802.12	668,736.59	668,736.59	0.00
Student Transportation Services	165,500.00	167,225.53	157,331.24	9,894.29
Food Services	21,269.00	21,269.00	18,184.31	3,084.69
Cocurricular Activities:				
Male Activities	40,000.00	40,000.00	32,129.65	7,870.35
Female Activities	40,750.00	40,750.00	28,416.18	12,333.82
Transportation	69,500.00	69,500.00	61,392.99	8,107.01
Combined Activities	327,458.00	327,458.00	291,900.63	35,557.37
Contingencies				
Amount Transferred	50,000.00	50,000.00		25,186.60
		(24,813.40)		
<b>Total Expenditures</b>	<b>5,791,296.11</b>	<b>5,869,620.11</b>	<b>5,622,303.64</b>	<b>247,316.47</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>(1,002,292.11)</b>	<b>(1,080,616.11)</b>	<b>(671,735.35)</b>	<b>408,880.76</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	548,000.00	548,000.00	545,108.10	(2,891.90)
Sale of Surplus Property	15,000.00	15,000.00	15,069.30	69.30
<b>Total Other Financing Sources (Uses)</b>	<b>563,000.00</b>	<b>563,000.00</b>	<b>560,177.40</b>	<b>(2,822.60)</b>
<b>Net Change in Fund Balances</b>	<b>(439,292.11)</b>	<b>(517,616.11)</b>	<b>(111,557.95)</b>	<b>406,058.16</b>
Fund Balance - Beginning	1,217,155.09	1,217,155.09	1,217,155.09	0.00
<b>FUND BALANCE - ENDING</b>	<b>777,862.98</b>	<b>699,538.98</b>	<b>1,105,597.14</b>	<b>406,058.16</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**WINNER SCHOOL DISTRICT NO 59-2**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**CAPITAL OUTLAY FUND**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> (Budgetary Basis)	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	1,200,000.00	1,200,000.00	1,293,120.47	93,120.47
Prior Years' Ad Valorem Taxes	5,000.00	5,000.00	21,146.56	16,146.56
Penalties and Interest on Taxes	2,000.00	2,000.00	3,072.67	1,072.67
Other Taxes	0.00	0.00	0.84	0.84
Earnings on Investments and Deposits	0.00	0.00	2,483.50	2,483.50
Other Revenue from Local Sources:				
Other	0.00	0.00	577,819.02	577,819.02
<b>Total Revenue</b>	<b>1,207,000.00</b>	<b>1,207,000.00</b>	<b>1,897,643.06</b>	<b>690,643.06</b>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary	53,334.00	55,193.60	54,728.60	465.00
Middle/Junior High	18,333.00	18,333.00	10,134.95	8,198.05
High School	38,333.00	38,333.00	27,608.81	10,724.19
Support Services:				
Instructional Staff:				
Educational Media	76,000.00	76,000.00	71,876.74	4,123.26
Business:				
Facilities Acquisition and Construction	723,160.00	739,532.27	739,532.27	0.00
Operation and Maintenance of Plant	75,000.00	75,000.00	48,253.87	26,746.13
Student Transportation Services	25,000.00	25,000.00	20,000.00	5,000.00
Food Services	0.00	1,814.00	1,814.00	0.00
Debt Services	176,500.00	176,500.00	173,765.00	2,735.00
Cocurricular Activities:				
Male Activities	12,500.00	12,500.00	12,500.00	0.00
Female Activities	12,500.00	12,500.00	12,103.44	396.56
Combined Activities	10,000.00	10,000.00	8,285.00	1,715.00
<b>Total Expenditures</b>	<b>1,220,660.00</b>	<b>1,240,705.87</b>	<b>1,180,602.68</b>	<b>60,103.19</b>
Excess of Revenue Over (Under) Expenditures	(13,660.00)	(33,705.87)	717,040.38	750,746.25
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(291,000.00)	(291,000.00)	(288,483.50)	2,516.50
Proceeds of General Long-Term	304,660.00	304,660.00	304,660.00	0.00
<b>Total Other Financing Sources (Uses)</b>	<b>13,660.00</b>	<b>13,660.00</b>	<b>16,176.50</b>	<b>2,516.50</b>
<b>Net Change in Fund Balances</b>	<b>0.00</b>	<b>(20,045.87)</b>	<b>733,216.88</b>	<b>753,262.75</b>
Fund Balance - Beginning	1,369,579.41	1,369,579.41	1,369,579.41	0.00
<b>FUND BALANCE - ENDING</b>	<b>1,369,579.41</b>	<b>1,349,533.54</b>	<b>2,102,796.29</b>	<b>753,262.75</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**WINNER SCHOOL DISTRICT NO. 59-2**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**SPECIAL EDUCATION FUND**  
**For the Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	765,017.89	765,017.89	859,316.34	94,298.45
Prior Years' Ad Valorem Taxes	3,000.00	3,000.00	11,533.67	8,533.67
Other Taxes	0.00	0.00	0.60	0.60
Penalties and Interest on Taxes	1,000.00	1,000.00	1,777.21	777.21
Earnings on Investments and Deposits	0.00	0.00	1,820.58	1,820.58
Other Revenue from Local Sources:				
Charges for Services	22,500.00	22,500.00	21,377.03	(1,122.97)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received Directly from Federal Government	10,000.00	10,000.00	8,692.65	(1,307.35)
Restricted Grants-in-Aid Received from Federal Government Through the State	181,019.00	181,019.00	188,534.82	7,515.82
<b>Total Revenue</b>	<b>982,536.89</b>	<b>982,536.89</b>	<b>1,093,052.90</b>	<b>110,516.01</b>
<b>Expenditures:</b>				
Instruction:				
Special Programs:				
Programs for Special Education Coordinated Early Intervening Services (CEIS) Instruction	818,258.70	818,258.70	707,233.12	111,025.58
	23,466.00	23,466.00	21,984.32	1,481.68
Support Services:				
Students:				
Psychological	20,000.00	23,956.00	23,956.00	0.00
Speech Pathology	134,735.75	134,735.75	132,748.14	1,987.61
Student Therapy Services	70,500.00	83,654.48	80,778.07	2,876.41
Instructional Staff:				
Special Education:				
Administrative Costs	81,246.44	89,096.91	89,096.91	0.00
Transportation Costs	5,750.00	5,750.00	1,984.92	3,765.08
<b>Total Expenditures</b>	<b>1,153,956.89</b>	<b>1,178,917.84</b>	<b>1,057,781.48</b>	<b>121,136.36</b>
Excess of Revenue Over (Under) Expenditures	(171,420.00)	(196,380.95)	35,271.42	231,652.37
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(2,000.00)	(2,000.00)	(1,820.58)	179.42
<b>Total Other Financing Sources (Uses)</b>	<b>(2,000.00)</b>	<b>(2,000.00)</b>	<b>(1,820.58)</b>	<b>179.42</b>
<b>Net Change in Fund Balances</b>	<b>(173,420.00)</b>	<b>(198,380.95)</b>	<b>33,450.84</b>	<b>231,831.79</b>
Fund Balance - Beginning	1,144,081.50	1,144,081.50	1,144,081.50	0.00
<b>FUND BALANCE - ENDING</b>	<b>970,661.50</b>	<b>945,700.55</b>	<b>1,177,532.34</b>	<b>231,831.79</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**WINNER SCHOOL DISTRICT 59-2**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**PENSION FUND**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Prior Years' Ad Valorem Taxes	300.00	300.00	1,493.88	1,193.88
Penalties and Interest on Taxes	0.00	0.00	173.39	173.39
Earnings on Investments and Deposits	0.00	0.00	662.87	662.87
Total Revenue	300.00	300.00	2,330.14	2,030.14
<b>Expenditures:</b>				
Nonprogrammed Charges:				
Early Retirement Payments	27,021.00	27,021.00	25,038.72	1,982.28
Total Expenditures	27,021.00	27,021.00	25,038.72	1,982.28
Excess of Revenue Over (Under) Expenditures	(26,721.00)	(26,721.00)	(22,708.58)	4,012.42
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(500.00)	(662.87)	(662.87)	0.00
Total Other Financing Sources (Uses)	(500.00)	(662.87)	(662.87)	0.00
Net Change in Fund Balances	(27,221.00)	(27,383.87)	(23,371.45)	4,012.42
Fund Balance - Beginning	375,528.29	375,528.29	375,528.29	0.00
FUND BALANCE - ENDING	348,307.29	348,144.42	352,156.84	4,012.42



NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2018

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, 2018

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

	<u>Year Ended</u> <u>6/30/2018</u>
General Fund:	
USGAAP Basis Fund Balance	\$ 3,388,072.78
(Deduct) Impact Aid Revenue	(360,661.06)
Impact Aid Beginning Balance	(2,179,330.52)
Impact Aid Transfer Out	<u>257,515.94</u>
Net Adjustment to GAAP Basis Fund Balance	<u>(2,282,475.64)</u>
Budgetary Basis Fund Balance	<u><u>\$ 1,105,597.14</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 4 Fiscal Years \*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability/asset	0.1856906%	0.1843918%	0.1815497%	0.1795978%
District's proportionate share of net pension liability (asset)	\$ (16,852)	\$ 622,857	\$ (770,004)	\$(1,293,929)
District's covered-employee payroll	\$ 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	0.45%	17.76%	23.23%	41.16%
Plan fiduciary net position as a percentage of the total pension liability (asset)	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.

REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS

## South Dakota Retirement System

## Last 4 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 234,892	\$ 226,384	\$ 210,373	\$ 198,875
Contributions in relation to the contractually required contribution	<u>\$ 234,892</u>	<u>\$ 226,384</u>	<u>\$ 210,373</u>	<u>\$ 198,875</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 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%

**WINNER SCHOOL DISTRICT NO. 59-2**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures FY 2018
US Department of Agriculture:			
Pass-Through the SD Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program (Note 4)	10.555	18183SD310N1099	23,948.63
Cash Assistance:			
School Breakfast Program (Note 3)(Note 4)	10.553	18183SD310N1099	30,489.18
National School Lunch Program (Note 3)(Note 4)	10.555	18183SD310N1099	146,541.42
Total Child Nutrition Cluster			200,979.23
Fresh Fruit and Vegetable Program	10.582	18183SD310N1099	18,184.31
<b>Total US Department of Agriculture</b>			<b>219,163.54</b>
US Department of Education:			
Direct Federal Funding:			
Impact Aid	84.041		262,067.44
Pass-Through the SD Department of Education:			
Special Education Cluster:			
Special Education - Grants to States (Note 3)	84.027	H027A170091	178,353.00
Special Education - Preschool Grants	84.173	H173A170091	6,323.00
Total Special Education Cluster			184,676.00
Title I Grants to Local Educational Agencies (Note 4)	84.010	S010A170041	301,126.00
Career & Technical Education - Basic Grants to States	84.048	V048A170041	9,727.00
Special Education - Grants for Infants and Families	84.181		3,858.82
Rural Education	84.358		13,474.00
Improving Teacher Quality State Grants	84.367	S367A170039	61,325.00
Student Support and Academic Enrichment Program	84.424A	S424A170043	3,549.00
<b>Total US Department of Education</b>			<b>839,803.26</b>
<b>GRAND TOTAL</b>			<b>\$1,058,966.80</b>

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, 2018. 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 not 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.

Note 4: Major Federal Financial Assistance Program

This represents a Major Federal Financial Assistance Program.