

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

AUDIT REPORT

FISCAL YEAR JULY 1, 2013, TO JUNE 30, 2014

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

WINNER SCHOOL DISTRICT NO. 59-2

WINNER SCHOOL DISTRICT NO. 59-2
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2014

BOARD MEMBERS:

Mike Calhoon, President
Dr. Tom Covey, Vice-President
Joe Hockett
Steve Kubik
Bill Mann
Scott Meiners
Wayne Meyer

SUPERINTENDENT:

Bruce Carrier

BUSINESS MANAGER:

Laura Root

Schoenfish & Co., Inc.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Winner School District No. 59-2, South Dakota (School District), as of June 30, 2014 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 26, 2014.

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 2014-001 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 26, 2014

Schoenfish & Co., Inc.

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P.O. Box 247

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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) Circular A-133 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, 2014. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

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 OMB Circular A-133, 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.

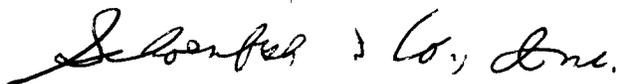
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified 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 2014-001 to be a material weakness.

The School District's response to the noncompliance finding 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 OMB Circular A-133. 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 26, 2014

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WINNER SCHOOL DISTRICT NO. 59-2
SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

PRIOR FEDERAL AUDIT FINDINGS:

Prior Finding Number 2013-001:

A material weakness was reported for a lack of segregation of duties for revenues.

Corrective Action Plan:

This prior audit comment has not been corrected and is restated under current audit findings and questioned costs as finding number 2014-001.

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 2013-001.

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WINNER SCHOOL DISTRICT NO. 59-2SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTSSummary of the Independent Auditor's Results:Financial Statements

- a. An unqualified opinion was issued on the financial statements.
- b. A material weakness was disclosed by our audit of the financial statements and for internal control over major federal programs for a lack of segregation of duties for revenues as discussed in finding number 2014-001.
- c. Our audit did not disclose any material noncompliance 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 2014-001.
- e. An unqualified opinion was issued on compliance with the requirements applicable to major programs.
- f. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510 (a) except for the material weakness resulting from the lack of segregation of duties for revenues as discussed in finding number 2013-001.
- g. The federal awards tested as major programs were:

1. Title I Grants to Local Educational Agencies	CFDA NO. 84.010
2. Special Education Cluster:	
a. Special Education – Grants to States	CFDA NO. 84.027
b. Special Education – Preschool Grants	CFDA NO. 84.173
3. Child Nutrition Cluster	
a. National School Lunch Program	CFDA No. 10.555
b. School Breakfast Program	CFDA No. 10.553
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- i. Winner School District No. 59-2 did not qualify as a low-risk entity.

CURRENT FEDERAL AUDIT FINDINGS:Internal Control – Related Findings – Material Weaknesses:Finding Number 2014-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This comment affects the reporting compliance requirement category. This comment applies to Title I Grants to Local Educational Agencies, CFDA No. 84.010; Special Education Grants to States, CFDA No. 84.027; Special Education Preschool Grants, CFDA No. 84.173; National School Lunch Program, CFDA No. 10.555; and School Breakfast Program, CFDA No. 10.553. This is the sixteenth consecutive audit in which a similar comment has occurred.

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WINNER SCHOOL DISTRICT NO. 59-2
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 on performing their duties.

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.

Corrective Action Plan:

The Winner School District Board President, Mike Calhoun, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Winner School District which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are attempting to provide compensating controls.

CURRENT OTHER AUDIT FINDINGS:

No current other audit findings were found to exist except for the lack of segregation of duties for the revenue function as discussed in the federal compliance audit finding number 2014-001.

CLOSING CONFERENCE

The audit was discussed with the school board president, the superintendent, and the business manager on December 4, 2014.

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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, 2014 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, 2014, 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) and the Budgetary Comparison Schedules on pages 11 through 19, and 49 through 53 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 by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014 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

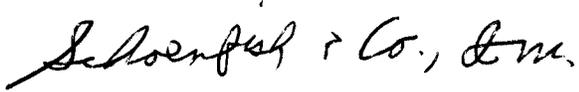
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internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.
Certified Public Accountants
November 26, 2014

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Winner School District 59-2 Management Discussion and Analysis Year End June 30th, 2014

This section of the Winner School District 59-2 (WSD) annual financial report presents its discussion and analysis of the district's financial performance during the fiscal year ending June 30, 2014. Please read it in conjunction with the district's financial statements, which immediately follow this section.

Financial Highlights

- The District's financial status improved slightly from June of 2013: Total net position increased 4.76% or \$593,496. The main increase was in cash and cash equivalents.
- Overall governmental revenues were \$6,827,596; fully \$586,120 more than expenses.
- The total cost of basic programs increased 2.44% to \$6,241,476.
- \$80,000 of capital outlay certificates were retired leaving a balance of \$245,000. The District also has compensated absences of \$72,670 and early retirement benefits payable of \$58,722.
- Food Service, the Out of School Time (OST) Program and the Driver's Education Program are the business-type activities in the WSD financial statements. The Food Service and OST/Driver's Education funds financial status have both increased. The combined business-type activities net position as of June 30, 2014 was \$111,030 which is up \$14,971 from June 30, 2013.

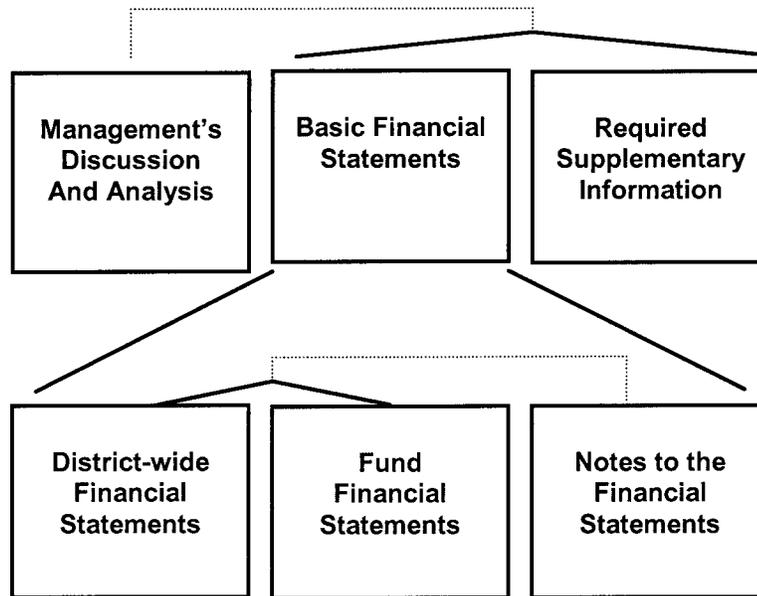
Overview of the Financial Statements

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.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements				
	District-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary of fiduciary, such as special education and building maintenance	Activities the district operates similar to private business: food services, OST and drivers education	Instances in which the district administers resources on behalf of someone else, such as scholarship program as student activities monies
Required financial statements	<ul style="list-style-type: none"> Statement of net position Statement of activities 	<ul style="list-style-type: none"> Balance sheet Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> Statement of Net Position Statement of revenues, expenses, and changes in net position Statement of cash flows 	<ul style="list-style-type: none"> Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting Basis and measurement	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term	Generally assets expected to be used up and liabilities that come due during the	All assets and liabilities, both financial and capital, and short-	All assets and liabilities, both short-term and long-term; funds do not currently

	and long-term	year or soon thereafter; no capital assets or long-term liabilities included	term and long-term	contain capital assets, although they can
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

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

The two district-wide statements report the district's net position and how they have changed. Net position – difference between the district's assets and liabilities – 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 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 uses 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 larger on June 30, 2014, than it was the year before, increasing 4.76% to \$13,064,861. (See figure A-3) Most of this increase in the district's financial position came from its governmental activities, which increased \$578,525 to \$12,953,831. The net position of the district's business-type activities increased by \$14,971.

Figure A-3

	Governmental		Business-Type		Total		Percentage Change 13-14
	Activities		Activities		School District		
	2013	2014	2013	2014	2013	2014	
Current & Other Assets	8,093	8,679	50	57	8,143	8,736	7.28%
Capital Assets, Net of Depr.	6,802	6,820	50	59	6,852	6,879	0.39%
Total Assets	14,895	15,499	100	116	14,995	15,615	4.13%
Long-Term Debt Outstanding	498	376			498	376	-24.50%
Other Liabilities	2,022	418	4	5	2,026	423	-79.12%
Total Liabilities	2,520	794	4	5	2,524	799	-68.34%
Deferred Outflows of Resources							
-Property Taxes		1751				1,751	100.00%
Net Investment in Capital Assets	6,477	6,575	50	59	6,527	6,634	1.64%
Restricted	2,086	2,406	0	0	2,086	2,406	15.34%
Unrestricted	3,812	3,973	46	52	3,858	4,025	4.33%
Total Net Position	12,375	12,954	96	111	12,471	13,065	4.76%
Beginning Net Position	11,300	12,375	76	96	11,376	12,471	9.63%
Change in Net Position	1,075	579	20	15	1,095	594	-45.75%
% Change in Net Position	9.51%	4.68%	26.32%	15.63%	9.63%	4.76%	

The district's financial position improved during the 2013-2014 school year. In years past, the district acted upon numerous budget cutting measures. These cuts were necessary to get the school district out of their negative financial position and to help position themselves for future years of cuts in state aid and federal aid. The district's prior weakening financial position was the product of three major factors: large decreases in enrollment, decreases in state and federal aid, and legal fees directly related to a civil lawsuit. In the 2013-2014 school year, enrollment decreased by only 6 students compared to drops of up to 66 students in prior years. As student enrollment levels out, state aid revenue also levels out and makes budgeting for the future easier for the WSD. The civil lawsuit is going well, so legal fees have also decreased dramatically.

Changes in net position. The district's total revenues decreased 4.23% to \$7,196,592. Property/Gross Receipt taxes decreased 1.33%, Charges for Services increased 64.82%,

Operating Grants and Contributions decreased 18.83%, Federal Sources decreased 2.80% and other revenue decreased 57.26%.

- The total cost of all programs and services increased 2.85% to \$6,603,096. The Winner School District cut over \$1,200,000 from the 08-09 budget to get out of their negative financial position. This was done by re-organizing positions held in the district and overall budget cuts. The Winner School District had 25 less positions starting the 2009-2010 school year. This was done through retirement, resignation and non-renewals of non-tenured positions. After an increase in general fund revenues through the 09-10, 10-11, 11-12, 12-13 and 13-14 budgets, most programs and positions have been added back into the budget. Enrollment has leveled out for the Winner School District.

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2013	2014	2013	2014	2013	2014	2013-2014
Program Revenues:							
Charges for Services	39	143	160	185	199	328	64.82%
Operating Grants & Contr.	766	580	174	183	940	763	-18.83%
General Revenues:							
Property taxes	4,059	4,005			4,059	4,005	-1.33%
State formula aid	1,782	1,712			1,782	1,712	-3.93%
Revenue from Federal Sources	286	278			286	278	-2.80%
Unrestricted Investment Earnings	8	8			8	8	0.00%
Other General Revenue	241	103			241	103	-57.26%
Total Revenues	7,181	6,829	334	368	7,515	7,197	-4.23%
Expenses:							
Instruction	3,136	3,054	5	10	3,141	3,064	-2.45%
Support Services	2,364	2,582			2,364	2,582	9.22%
Community Services			21	21	21	21	0.00%
Nonprogrammed Charges	154	129			154	129	-16.23%
Interest on Long-Term Debt	9	8			9	8	-11.11%
Cocurricular Activities	430	469			430	469	9.07%
Food Service			301	330	301	330	9.63%
Total Expenses	6,093	6,242	327	361	6,420	6,603	2.85%
Excess (deficiency) before Transfers & Special Items	1,088	587	7	7	1,095	594	-45.75%
Transfers	(13)	(8)	13	8	-	-	0.00%
Change in Net Position	1,075	579	20	15	1,095	594	-45.75%
Net Position - Ending	12,375	12,954	96	111	12,471	13,065	4.76%

Note: totals may not add due to rounding.

Figure A-5, Winner School District, Sources of Revenue for Fiscal Year 2014

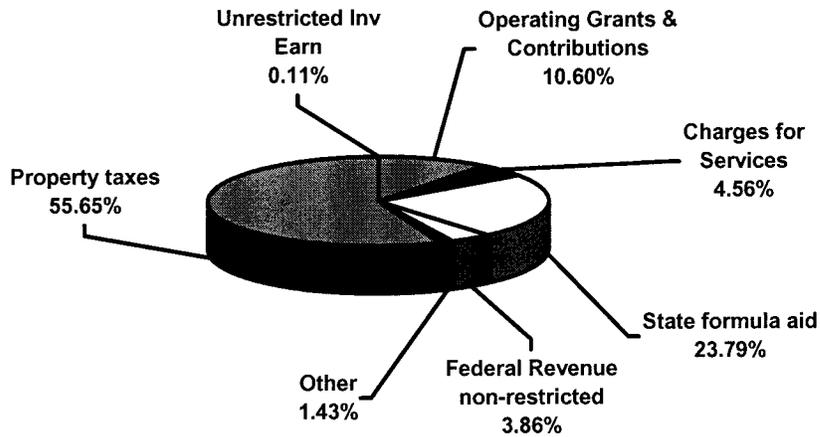
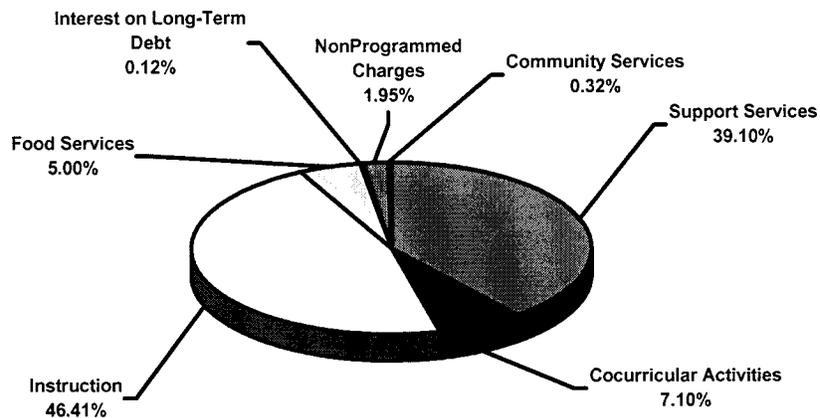


Figure A-6, Winner School District, Functional Expenses for Fiscal Year 2014



Governmental Activities

Revenues for the district's governmental activities decreased 4.90% or by \$353,334. This was mainly due to the decrease in grants and other general revenue such as sale of surplus property. Total Expenses for governmental activities increased by 2.44% or by \$148,630. The increase in net position for governmental activities was \$578,525 or 4.67% in 2014.

Business-type Activities

Food service's financial status increased slightly. Revenues for the district's food service increased 9.73% and expenses increased 9.65%. The OST/Driver's Education Fund's financial status also increased, with revenues increasing 19.80% and expenses increasing by 20.62%. Overall, the OST/Driver's Education fund revenue was \$9,559 more than expenses.

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 OST/Driver's Education Fund.

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 30, 2014 special board meeting. The supplements fell into the following three categories:

- Changes made due to additional grant funds which came available after budget approval.
- Increase in appropriations to prevent budget overruns.
- Unexpected capital outlay expenses that came up throughout the school year that were not budgeted.
- On June 30, 2014, the district had \$2,113,297.34 in its general fund reserves. The WSD supplemented the general fund budget with \$25,202.49 of general fund reserves and \$100,000.00 from Impact aid funds. The Winner School District decreased its general fund by 1.30% at the end of the 13/14 school year.

	Original	Final
Revenue	4,231,320	4,236,320
Expenditures	4,652,594	4,683,307
Variance	421,274	446,987

The Winner School District has impact aid money that it looks at in conjunction with the general fund. At the present time, the WSD is projecting to supplement its general fund budget with impact aid funds, general fund reserves and is taking advantage of Senate Bill 91 by expending 45% of heating/electricity, rural parent mileage, co-curricular and route transportation and property insurance out of capital outlay. They are also using the Pension Fund to cover some of the retirement expenses.

- Actual general fund revenues were 98.47% of budgeted revenues. The district goal is 100%. The WSD supplemented the general fund \$125,202.49 in the 13/14. This was 2.95% of the total budget.
- Actual general fund expenditures were 90.96% of budgeted expenditures. The district goal is 95% for expenditures. The district continued to evaluate purchasing procedures to help maintain its fund balance for the upcoming years.

Capital Asset and Debt Administration

Capital Assets

By the end of 2014, the district had invested \$6,879,812 in a broad range of capital assets, including updated school buildings, vehicles, athletic facilities/equipment, and security and audio-visual equipment. (See Figure A-8.) This amount represents a net increase of \$27,185 or 0.40% increase from last year. Total depreciation expense for the year was \$317,770.

Figure A-8

	Governmental		Business-Type		Total		Percentage Change 13-14
	Activities		Activities		School District		
	2013	2014	2013	2014	2013	2014	
Land/Construction in Progress	63	67			63	67	6.34%
Equipment and Furniture	569	585	50	59	619	644	4.03%
Buildings	5,403	5,362			5,403	5,362	-0.75%
Improvements	768	806			768	806	4.94%
Total	6,803	6,820	50	59	6,853	6,879	-0.37%

Note: totals may not add due to rounding

Long-term Debt

At year-end, the district had \$245,000 in capital outlay certificates a decrease of 24.61% from last year.

Figure A-9

	Total		Percentage Change 13-14
	School District		
	2013	2014	
Early Retirement Payable	106	59	-44.34%
Compensated Absences	67	72	7.46%
Capital Outlay Certificates	325	245	-24.61%
Total	498	376	-24.29%

The district continued to pay down its debt, retiring \$80,000 of outstanding capital outlay certificates. This debt matures on January 15, 2017.

Factors bearing on the District's Future

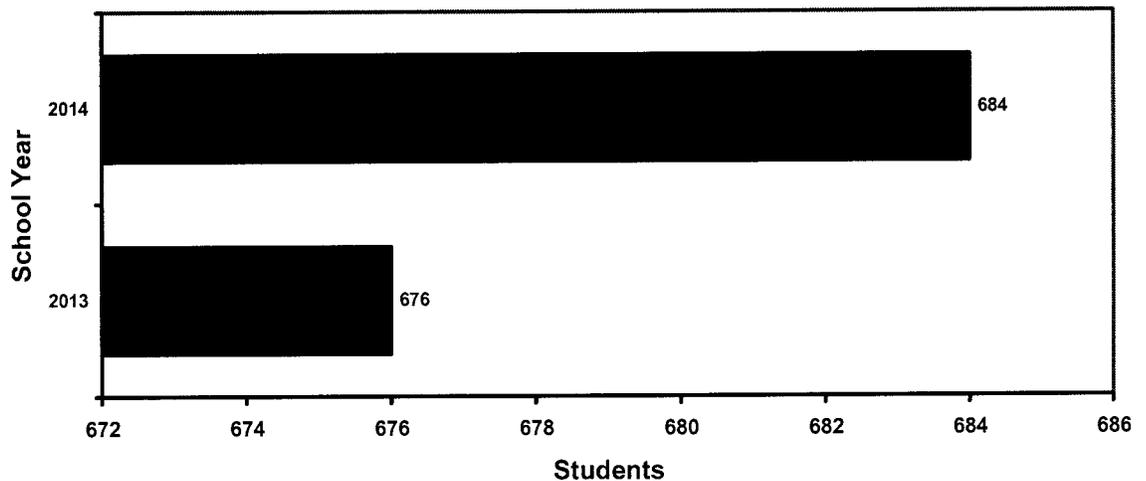
At the time these financial statements were prepared and audited, the district was aware of four existing circumstances that could significantly affect its financial health in the future:

- 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 four 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 2012-2013 fall enrollment and a 3.00% increase was given in 13/14 which brought the per student allocation to \$4,625.65. As the financial position of the state recovers from the recession, hopefully schools can count on a 3.00% increase each year which will help with long-term budgeting.
- The WSD settled a civil suit with the ACLU in the case of *Antoine v. Winner School District*. This civil suit continues to be a financial burden in terms of continued legal fees associated with the implementation of the Consent Decree, third party monitor fees, implementation of new programs and additional personnel required to be in compliance with the Consent Decree. A revised Consent Decree was signed by both parties in the summer of 2013 with an expected ending date in the summer of 2017.
- 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 1153.65 in 1996 to 684 in 2014. That is a decrease of 470 students in over 18 years. In 2013, enrollment was at 676.0 which was a decrease of 6 students from 2012. Enrollment appears to be leveling out and we are

projecting steady enrollment for at least the next few years. The WSD is following the same pattern as the county population.

- Federal grants are decreasing as Federal funding gets tighter through the economic uncertainty. As sequestration at the Federal level was implemented in January 2013, the WSD began to lose Federal funds immediately in the 2012-2013 school year with the Impact Aid program. Other title programs began decreasing in the 2013-2014 school year. The WSD cut a reading recovery teacher due to title I cuts and has eliminated some supplemental services that were offered through the title I program at the elementary school and the middle school.
- The Winner School District is now at a point where they are projecting to supplement their general fund minimally with impact aid funds. In the past few years, the WSD has sold the two remaining rural schools, The Sports Center and sold some land that was not going to be utilized. The WSD is currently renting out the vacant middle school and utilizing Senate Bill 91, which allows school districts to expense a portion of its' general fund expenditures out of the capital outlay fund such as utilities, bussing, parent mileage and property insurance, to create extra revenue for the general fund. SB 91 is due to sunset in 2017. Some impact aid funds and some general fund reserves are projected to supplement the 2014-2015 budget as well as utilizing the Pension Fund for retirement expenses.

Winner School District 59-2 Average Daily Membership



- Open enrollment law has had a major impact on the Winner School District in the past. The open enrollment requests the WSD has received in the last few years has dramatically decreased.
- The Winner School District's enrollment is following the trend of the population drop in Tripp county residents. It appears to be leveling off and we are projecting steady enrollment for at least the next few years.

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, 2014

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS:			
Cash and Cash Equivalents	6,519,674.83	46,827.59	6,566,502.42
Taxes Receivable	1,795,592.45		1,795,592.45
Other Assets	363,327.24		363,327.24
Inventories		10,353.75	10,353.75
Capital Assets:			
Land	67,432.49		67,432.49
Other Capital Assets, Net of Depreciation	6,753,031.21	59,347.98	6,812,379.19
TOTAL ASSETS	15,499,058.22	116,529.32	15,615,587.54
LIABILITIES :			
Accounts Payable	20,695.64		20,695.64
Other Current Liabilities	397,238.91	129.56	397,368.47
Unearned Revenue		5,369.33	5,369.33
Noncurrent Liabilities:			
Due Within One Year	124,953.34		124,953.34
Due in More than One Year	251,438.82		251,438.82
TOTAL LIABILITIES	794,326.71	5,498.89	799,825.60
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Levied for a Future Period	1,750,900.81		1,750,900.81
TOTAL DEFERRED INFLOWS OF RESOURCES	1,750,900.81	0.00	1,750,900.81
NET POSITION:			
Net Investment in Capital Assets	6,575,463.70	59,347.98	6,634,811.68
Restricted for:			
Capital Outlay Purposes	1,461,899.00		1,461,899.00
Special Education Purposes	695,787.12		695,787.12
Pension Purposes	248,003.23		248,003.23
Unrestricted	3,972,677.65	51,682.45	4,024,360.10
TOTAL NET POSITION	12,953,830.70	111,030.43	13,064,861.13

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

WINNER SCHOOL DISTRICT NO. 59-2
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	4,040,025.12	1,450,683.34	714,533.19	304,433.18	6,509,674.83
Advanced Payments	10,000.00				10,000.00
Taxes Receivable--Current	729,941.70	587,215.09	363,559.36	70,184.66	1,750,900.81
Taxes Receivable--Delinquent	23,593.32	12,767.44	6,038.44	2,292.44	44,691.64
Due from Other Government	355,768.24		7,559.00		363,327.24
TOTAL ASSETS	5,159,328.38	2,050,665.87	1,091,689.99	376,910.28	8,678,594.52
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	19,143.86	1,551.78			20,695.64
Contracts Payable	292,022.12		24,294.80		316,316.92
Payroll Deductions and Withholdings and Employer Matching Payable	74,697.95		6,224.04		80,921.99
Total Liabilities	385,863.93	1,551.78	30,518.84	0.00	417,934.55
Deferred Inflows of Resources:					
Property Taxes Levied for a Future Period	729,941.70	587,215.09	363,559.36	70,184.66	1,750,900.81
Unavailable Revenue - Property Taxes	23,593.32	12,767.44	6,038.44	2,292.44	44,691.64
Total Deferred Inflows of Resources	753,535.02	599,982.53	369,597.80	72,477.10	1,795,592.45
Fund Balances:					
Restricted:					
Capital Outlay		1,449,131.56			1,449,131.56
Special Education			691,573.35		691,573.35
Pension				304,433.18	304,433.18
Assigned for Next Year's Budget	194,309.00				194,309.00
Unassigned	3,825,620.43				3,825,620.43
Total Fund Balances	4,019,929.43	1,449,131.56	691,573.35	304,433.18	6,465,067.52
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	5,159,328.38	2,050,665.87	1,091,689.99	376,910.28	8,678,594.52

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, 2014

Total Fund Balances - Governmental Funds	<u>6,465,067.52</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	<u>6,820,463.70</u>
Long-term liabilities, including capital outlay certificates payable, early retirement payable, and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(376,392.16)</u>
Assets such as taxes receivable that are not available to pay for current period expenditures are deferred in the funds.	<u>44,691.64</u>
Net Position - Governmental Activities	<u><u>12,953,830.70</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, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Revenues:					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	1,520,659.01	1,286,835.36	729,008.66	146,745.65	3,683,248.68
Prior Years' Ad Valorem Taxes	23,645.50	16,688.43	8,036.25	1,674.73	50,044.91
Utility Taxes	278,524.24				278,524.24
Penalties and Interest on Taxes	8,340.43	3,379.26	1,634.64	334.44	13,688.77
Earnings on Investments and Deposits	5,584.84	1,504.41	787.59	491.89	8,368.73
Cocurricular Activities:					
Admissions	37,861.90				37,861.90
Other Revenue from Local Sources:					
Rentals	31,798.37				31,798.37
Contributions and Donations	3.45				3.45
Charges for Services	47,376.13		26,138.26		73,514.39
Other	47,409.54				47,409.54
Revenue from Intermediate Sources:					
County Sources:					
County Apportionment	50,221.17				50,221.17
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid	1,711,590.12				1,711,590.12
Restricted Grants-in-Aid	1,000.00				1,000.00
Revenue from Federal Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid Received					
Directly from Federal Government	257,644.55		19,822.00		277,466.55
Restricted Grants-in-Aid Received from					
Federal Government Through the State	410,097.18		168,472.04		578,569.22
Total Revenue	4,431,756.43	1,308,407.46	953,899.44	149,246.71	6,843,310.04

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

WINNER SCHOOL DISTRICT NO. 59-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Total Governmental Funds</u>
Expenditures:					
Instruction:					
Regular Programs:					
Elementary	906,680.45	63,318.33			969,998.78
Middle/Junior High	401,248.11	41,366.27			442,614.38
High School	675,231.63	69,723.62			744,955.25
Special Programs:					
Programs for Special Education			540,020.14		540,020.14
Coordinated Early Intervening Services (CEIS) Instruction			18,970.99		18,970.99
Educationally Deprived	224,859.83				224,859.83
Support Services:					
Pupils:					
Guidance	131,844.71				131,844.71
Psychological			14,353.00		14,353.00
Speech Pathology			97,702.49		97,702.49
Student Therapy Services			62,977.43		62,977.43
Instructional Staff:					
Improvement of Instruction	149,708.56				149,708.56
Educational Media	162,072.66	9,230.10			171,302.76
General Administration:					
Board of Education	95,586.88	20,000.00			115,586.88
Executive Administration	152,093.16				152,093.16
School Administration:					
Office of the Principal	221,290.86				221,290.86
Title I Program Administration	17,736.00				17,736.00
Other	25,978.29				25,978.29
Business:					
Fiscal Services	138,405.68				138,405.68
Facilities Acquisition and Construction		217,941.67			217,941.67
Operation and Maintenance of Plant	506,843.31	162,426.22			669,269.53
Pupil Transportation	75,285.05	61,596.56			136,881.61
Food Services	16,114.24	5,042.14			21,156.38

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, 2014

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Expenditures (Cont.):					
Support Services:					
Special Education:					
Administrative Costs			85,905.14		85,905.14
Transportation Costs			3,003.52		3,003.52
Other Special Education Costs			1,607.04		1,607.04
Nonprogrammed Charges:					
Early Retirement Payments				176,183.72	176,183.72
Debt Services		87,825.00			87,825.00
Cocurricular Activities:					
Male Activities	35,631.63	13,154.34			48,785.97
Female Activities	33,964.36	8,153.33			42,117.69
Transportation	32,717.96	27,386.85			60,104.81
Combined Activities	256,721.78				256,721.78
Capital Outlay		336,816.28			336,816.28
Total Expenditures	4,260,015.15	1,123,980.71	824,539.75	176,183.72	6,384,719.33
Excess of Revenue Over (Under) Expenditures	171,741.28	184,426.75	129,359.69	(26,937.01)	458,590.71
Other Financing Sources:					
Transfers In	2,800.18				2,800.18
Transfers Out	(4,154.62)	(1,504.41)	(787.59)	(491.89)	(6,938.51)
Sale of Surplus Property	5,120.12				5,120.12
Total Other Financing Sources	3,765.68	(1,504.41)	(787.59)	(491.89)	981.79
Net Change in Fund Balances	175,506.96	182,922.34	128,572.10	(27,428.90)	459,572.50
Fund Balance - Beginning	3,844,422.47	1,266,209.22	563,001.25	331,862.08	6,005,495.02
FUND BALANCE - ENDING	4,019,929.43	1,449,131.56	691,573.35	304,433.18	6,465,067.52

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, 2014

Net Change in Fund Balances - Total Governmental Funds	<u>459,572.50</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>25,396.82</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>(7,110.76)</u>
Governmental funds report principle payments on long-term debt as expenditures. However, the statement of net position reports this amount as a Long-Term Debt. This is the amount of principle payments for the year.	<u>80,000.00</u>
Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.	<u>(5,899.86)</u>
Governmental funds do not reflect the increase in early retirement liabilities as an other financing source, because current financial resources are not provided when the obligation to pay these benefits arises, but the eligible employee's election to draw this benefit is reflected in the statement of net position as a long-term liability increase. Payments to reduce this liability are reflected in Fund Balance through charges to current period expenditures, while in the Statement of Activities, payments are applied to reduce the liability and are not considered to be expenses of the period.	<u>47,400.38</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>(20,834.22)</u>
Change in Net Position of Governmental Activities	<u><u>578,524.86</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, 2014

	Enterprise Funds		Totals
	Food Service Fund	Driver's Education/OST Fund	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	27,697.17	19,130.42	46,827.59
Inventory of Supplies	1,560.94		1,560.94
Inventory of Stores Purchased for Resale	3,774.83		3,774.83
Inventory of Donated Food	5,017.98		5,017.98
Total Current Assets	38,050.92	19,130.42	57,181.34
Noncurrent Assets:			
Capital Assets:			
Machinery and Equipment--Local Funds	157,247.43		157,247.43
Machinery and Equipment--Federal Assistance	36,821.00		36,821.00
Less: Accumulated Depreciation	(134,720.45)		(134,720.45)
Total Noncurrent Assets	59,347.98	0.00	59,347.98
TOTAL ASSETS	97,398.90	19,130.42	116,529.32
LIABILITIES:			
Current Liabilities:			
Contracts Payable		117.42	117.42
Payroll Deductions and Withholdings and Employer Matching Payable		12.14	12.14
Unearned Revenue	5,369.33		5,369.33
Total Current Liabilities	5,369.33	129.56	5,498.89
NET POSITION:			
Net Investment in Capital Assets	59,347.98		59,347.98
Unrestricted Net Position	32,681.59	19,000.86	51,682.45
Total Net Position	92,029.57	19,000.86	111,030.43

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, 2014

	Enterprise Fund		Totals
	Food Service Fund	Driver's Education/OST Fund	
Operating Revenue:			
Food Sales:			
Students	134,792.56		134,792.56
Ala Carte	14,351.09		14,351.09
Other Charges for Goods and Services:			
Driver's Education		6,000.00	6,000.00
Out of School Time		29,441.94	29,441.94
Total Operating Revenue	149,143.65	35,441.94	184,585.59
Operating Expenses:			
Food Service:			
Salaries	7,447.00		7,447.00
Employee Benefits	1,331.72		1,331.72
Purchased Services	298,838.77		298,838.77
Supplies	133.00		133.00
Cost of Sales - Donated	16,281.74		16,281.74
Depreciation	6,350.29		6,350.29
Driver's Education		10,154.60	10,154.60
Out of School Time		21,082.77	21,082.77
Total Operating Expenses	330,382.52	31,237.37	361,619.89
Operating Income (Loss)	(181,238.87)	4,204.57	(177,034.30)
Nonoperating Revenue:			
Investment Earnings	57.61	16.29	73.90
Other Local Revenue		1,200.00	1,200.00
State Grants	1,387.24		1,387.24
Federal Grants	163,007.87		163,007.87
Donated Food	18,740.52		18,740.52
Total Nonoperating Revenue (Expense)	183,193.24	1,216.29	184,409.53
Income (Loss) Before Contributions and Transfers	1,954.37	5,420.86	7,375.23
Contributions	3,457.14		3,457.14
Transfers In		4,154.62	4,154.62
Transfers Out		(16.29)	(16.29)
Change in Net Position	5,411.51	9,559.19	14,970.70
Net Position - Beginning	86,618.06	9,441.69	96,059.75
NET POSITION - ENDING	92,029.57	19,000.88	111,030.45

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, 2014

	Enterprise Fund		Totals
	Food Service Fund	Driver's Education/OST Fund	
Cash Flows from Operating Activities:			
Cash Receipts from Customers	150,041.51	35,441.94	185,483.45
Cash Payments to Employees for Services	(8,778.72)	(30,652.64)	(39,431.36)
Cash Payments to Suppliers for Goods or Services	(298,344.53)	(455.19)	(298,799.72)
Net Cash Provided (Used) by Operating Activities	(157,081.74)	4,334.11	(152,747.63)
Cash Flows from Noncapital Financing Activities:			
Transfers from General Fund		4,154.62	4,154.62
Transfers to General Fund		(16.29)	(16.29)
Operating Grants	164,395.11		164,395.11
Other Local Revenue		1,200.00	1,200.00
Net Cash Provided (Used) from Noncapital Financing Activities	164,395.11	5,338.33	169,733.44
Cash Flows from Capital and Related Financing Activities:			
Purchase of Capital Assets	(11,792.17)		(11,792.17)
Net Cash Provided (Used) from Capital and Related Financing Activities	(11,792.17)	0.00	(11,792.17)
Cash Flows from Investing Activities:			
Cash Received for Interest	57.61	16.29	73.90
Net Cash Provided (Used) from Investing Activities	57.61	16.29	73.90
Net Increase (Decrease) in Cash and Cash Equivalents	(4,421.19)	9,688.73	5,267.54
Cash and Cash Equivalents at Beginning of Year	32,118.36	9,441.69	41,560.05
CASH AND CASH EQUIVALENTS AT END OF YEAR	27,697.17	19,130.42	46,827.59
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	(181,238.87)	4,204.55	(177,034.32)
Adjustments to Reconcile Operating Income to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	6,350.29		6,350.29
Value of Donated Commodities Used	16,281.74		16,281.74
Change in Assets and Liabilities:			
Inventories	771.54		771.54
Accounts and Other Payables	(144.30)		(144.30)
Accrued Wages Payable		129.56	129.56
Unearned Revenue	897.86		897.86
Net Cash Provided (Used) by Operating Activities	(157,081.74)	4,334.11	(152,747.63)
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	18,740.52		18,740.52
Equipment Purchased by Capital Outlay Fund	3,457.14		3,457.14

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, 2014

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS:		
Cash and Cash Equivalents	<u>121,635.50</u>	<u>137,147.35</u>
TOTAL ASSETS	<u>121,635.50</u>	<u>137,147.35</u>
LIABILITIES:		
Amounts Held for Others	<u>0.00</u>	<u>137,147.35</u>
NET POSITION:		
Held in Trust for Scholarships	<u>121,635.50</u>	

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, 2014

	Private-Purpose Trust Funds
ADDITIONS:	
Earnings from Deposits and Investments	342.60
Total Additions	342.60
DEDUCTIONS:	
Trust Deductions for Scholarships	1,696.48
Total Deductions	1,696.48
Change in Net Position	(1,353.88)
Net Position - Beginning	122,989.38
NET POSITION - ENDING	121,635.50

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of Winner School District No. 59-2 (School District) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds, may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation:

Government-wide Financial Statements:

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

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities 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/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, 2014 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.

e. Capital Assets:

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Government-Wide Statements

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

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

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

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

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

f. Long-Term Liabilities:

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

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

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

g. 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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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.

h. 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.

i. Proprietary Funds Revenue and Expense Classifications:

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

j. Cash and Cash Equivalents:

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

k. Equity Classifications:

Government-wide Statements:

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

1. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

Fund Financial Statements:

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

I. Application of Net Position:

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

m. Fund Balance Classification Policies and Procedures:

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

2. DEPOSITS AND INVESTMENTS 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.

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

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

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from deposits and investments to the General Fund, except for the Food Service Fund and private-purpose trust funds which retain their investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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, 2014 in the General and special revenue funds.

5. PROPERTY TAXES

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

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."

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2014, is as follows:

Primary Government

	Balance 07/01/13	Increases	Decreases	Balance 06/30/14
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	62,692.45			62,692.45
Construction In Progress		4,740.04		4,740.04
Total , not being depreciated	<u>62,692.45</u>	<u>4,740.04</u>	<u>0.00</u>	<u>67,432.49</u>
Capital Assets, being depreciated:				
Improvements	1,175,811.27	74,773.01		1,250,584.28
Buildings	8,005,595.91	125,415.78		8,131,011.69
Machinery & Equipment	970,246.64	131,887.45	(40,324.00)	1,061,810.09
Total, being depreciated	<u>10,151,653.82</u>	<u>332,076.24</u>	<u>(40,324.00)</u>	<u>10,443,406.06</u>
Less Accumulated Depreciation for:				
Improvements	(408,132.02)	(36,460.70)		(444,592.72)
Buildings	(2,602,700.26)	(166,757.24)		(2,769,457.50)
Machinery & Equipment	(401,336.35)	(108,201.52)	33,213.24	(476,324.63)
Total Accumulated Depreciation	<u>(3,412,168.63)</u>	<u>(311,419.46)</u>	<u>33,213.24</u>	<u>(3,690,374.85)</u>
Total Capital Assets, being depreciated, net	<u>6,739,485.19</u>	<u>20,656.78</u>	<u>(7,110.76)</u>	<u>6,753,031.21</u>
Governmental Activity Capital Assets, Net	<u>6,802,177.64</u>	<u>25,396.82</u>	<u>(7,110.76)</u>	<u>6,820,463.70</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	106,804.86
Support Services	143,675.93
Co-curricular Activities	60,938.67
Total Depreciation Expense - Governmental Activities	<u>311,419.46</u>

	Balance 07/01/13	Increases	Decreases	Balance 06/30/14
Business-Type Activities:				
Capital Assets, being depreciated:				
Machinery & Equipment	185,319.12	15,249.31	(6,500.00)	194,068.43
Less Accumulated Depreciation for:				
Machinery & Equipment	(134,870.16)	(6,350.29)	6,500.00	(134,720.45)
Total capital assets, being depreciated, net	<u>50,448.96</u>	<u>8,899.02</u>	<u>0.00</u>	<u>59,347.98</u>
Business-Type Activity Capital Assets, Net	<u>50,448.96</u>	<u>8,899.02</u>	<u>0.00</u>	<u>59,347.98</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Food Services	6,350.29
Total Depreciation Expense - Business-Type Activities	6,350.29

Construction Work in Progress at June 30, 2014 is comprised of:

	Authorized	Expended Thru 6/30/14	Committed
Stadium Remodel	27,363.57	4,740.04	22,623.53

7. LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Limited Tax General Obligation Capital Outlay Certificates, Series 2010	325,000.00		80,000.00	245,000.00	80,000.00
Total Debt	325,000.00	0.00	80,000.00	245,000.00	80,000.00
Early Retirement Payable	106,122.77		47,400.38	58,722.39	24,953.34
Accrued Compensated Absences	66,769.91	28,047.14	22,147.28	72,669.77	20,000.00
Total Governmental Activities	497,892.68	28,047.14	149,547.66	376,392.16	124,953.34
TOTAL PRIMARY GOVERNMENT	497,892.68	28,047.14	149,547.66	376,392.16	124,953.34

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, 2014, is comprised of the following:

Capital Outlay Certificates:

Limited Tax General Obligation Capital Outlay Certificates, Series 2010, Maturity Date 1-15-2017, Fixed Interest Rates 0.75% to 2.50%	
Paid by Capital Outlay Fund	\$ 245,000.00

Early Retirement Payable:

Early Retirement Payable, Payment to be made by the Pension Fund	\$ 58,722.39
---	--------------

Compensated Absences:

Sick Leave Payable, Payment to be made by the fund that the payroll expenditures are charged to.	
General Fund	\$ 70,845.10
Special Education Fund	1,824.67
	\$ 72,669.77

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, 2014, are as follows:

Annual Requirements to Maturity for Long-Term Debt
June 30, 2014

Year Ending June 30,	Limited Tax General Obligation C.O. Certificates, Series 2010		Early Retirement Benefits Payable		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	80,000.00	6,125.00	24,953.33		104,953.33	6,125.00
2016	80,000.00	4,125.00	24,953.33		104,953.33	4,125.00
2017	85,000.00	2,125.00	8,815.72		93,815.72	2,125.00
Totals	245,000.00	12,375.00	58,722.38	0.00	303,722.38	12,375.00

8. 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 also entered into a five-year lease for planned services through Johnson Controls. Payments are made twice per year and are paid from the Capital Outlay Fund.

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

Year	Copier Lease	Planned Service
2015	24,750.00	35,052.00
2016	24,750.00	35,755.00
2017	24,750.00	18,055.00

9. RESTRICTED NET POSITION

Restricted net position for the fiscal year ended June 30, 2014 was as follows:

Purpose	Restricted By	Amount
Major Funds:		
Capital Outlay	Law	\$ 1,461,899.00
Special Education	Law	695,787.12
Pension	Law	248,003.23
Total Restricted Net Position		<u>\$ 2,405,689.35</u>

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

10. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2014 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		4,154.62	4,154.62
Capital Outlay Fund	1,504.41		1,504.41
Special Education Fund	787.59		787.59
Pension Fund	491.89		491.89
Driver's Education/OST	16.29		16.29
TOTALS	2,800.18	4,154.62	6,954.80

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.

11. RETIREMENT PLAN

All employees, working more than 20 hours per week, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

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, 2014, 2013, and 2012, were \$188,629.62, \$176,690.16, and \$167,916.96, respectively, equal to the required contributions each year.

12. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2014, the School District managed its risks as follows:

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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 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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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, 2014, no claims for unemployment benefits were paid. At June 30, 2014, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

13. SIGNIFICANT CONTINGENCIES – LITIGATION

The Winner School District was involved in a lawsuit at the end of a prior fiscal year. The case was a civil rights action filed by the ACLU and other attorneys. The School District denied all claims and vigorously defended the lawsuit. Substantial discovery was completed which resulted in a detailed settlement requiring the Winner School District to take certain actions, to institute certain training and compliance programs, to employ persons to fill certain new positions, and to pay a stipulated sum certain to the Plaintiffs for their attorneys' fees. This settlement was approved by the Federal Court. The Winner School District remains under the requirements of the consent decree at this time and has taken all necessary steps to remain in compliance with the consent decree.

At June 30, 2014, the School District was not involved in any significant litigation other than the above mentioned.

14. EARLY RETIREMENT BENEFITS

Any Member of the Bargaining Unit hired before 2009, who has completed at least ten (10) years of consecutive employment with the Winner School District as a full-time certified teacher as of June 30 of the year, and the sum of whose age plus the number of years of credited service equals at least eighty-five (85) as of June 30th, may elect early retirement. As used in the preceding sentence, the 'number of years of credited service' shall be the number of years that the Member has taught full-time as a certified teacher in any accredited school system.

A Member of the Bargaining Unit who is qualified for early retirement and who elects to take early retirement must notify the Superintendent thereof in writing prior to May 15th of the year which precedes the school year at the end of which such early retirement will occur. However, the Board may excuse

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

lack of sufficient notice and may authorize a Member's early retirement if it determines that extraordinary circumstances exist which were not foreseeable at the time when notice was otherwise due, so long as the Member's early retirement will not cause undue harm or hardship to the District.

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

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

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

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.

REQUIRED SUPPLEMENTARY INFORMATION
WINNER SCHOOL DISTRICT NO. 59-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	1,408,432.00	1,408,432.00	1,520,659.01	112,227.01
Prior Years' Ad Valorem Taxes	10,500.00	10,500.00	23,645.50	13,145.50
Utility Taxes	255,000.00	255,000.00	278,524.24	23,524.24
Penalties and Interest on Taxes	7,000.00	7,000.00	8,340.43	1,340.43
Earnings on Investments and Deposits	4,000.00	4,000.00	2,919.86	(1,080.14)
Cocurricular Activities:				
Admission	40,000.00	40,000.00	37,861.90	(2,138.10)
Other Revenue from Local Sources:				
Rentals	32,500.00	32,500.00	31,798.37	(701.63)
Contributions and Donations	0.00	0.00	3.45	3.45
Charges for Services	20,000.00	20,000.00	47,376.13	27,376.13
Other	40,000.00	40,000.00	47,409.54	7,409.54
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	42,000.00	42,000.00	50,221.17	8,221.17
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	1,846,201.00	1,846,201.00	1,711,590.12	(134,610.88)
Restricted Grants-in-Aid	0.00	5,000.00	1,000.00	(4,000.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	525,687.00	525,687.00	410,097.18	(115,589.82)
Total Revenue	4,231,320.00	4,236,320.00	4,171,446.90	(64,873.10)
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	939,269.00	939,269.00	906,680.45	32,588.55
Middle/Junior High	439,229.00	439,229.00	401,248.11	37,980.89
High School	728,043.00	728,043.00	675,231.63	52,811.37
Special Programs:				
Educationally Deprived	285,960.00	285,960.00	224,859.83	61,100.17
Support Services:				
Pupils:				
Guidance	131,157.00	132,938.00	131,844.71	1,093.29
Health	250.00	250.00	0.00	250.00

REQUIRED SUPPLEMENTARY INFORMATION
WINNER SCHOOL DISTRICT NO. 59-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Cont.):				
Support Services:				
Instructional Staff:				
Improvement of Instruction	220,052.00	231,248.00	149,708.56	81,539.44
Educational Media	169,469.00	169,469.00	162,072.66	7,396.34
General Administration:				
Board of Education	120,730.00	120,730.00	95,586.88	25,143.12
Executive Administration	162,960.00	162,960.00	152,093.16	10,866.84
School Administration:				
Office of the Principal	230,533.00	230,533.00	221,290.86	9,242.14
Title I Program Administration	0.00	17,736.00	17,736.00	0.00
Other	53,000.00	53,000.00	25,978.29	27,021.71
Business:				
Fiscal Services	146,129.00	146,129.00	138,405.68	7,723.32
Operation and Maintenance of Plant	541,767.00	541,767.00	506,843.31	34,923.69
Pupil Transportation	77,500.00	77,628.53	75,285.05	2,343.48
Food Services	20,108.00	20,108.00	16,114.24	3,993.76
Cocurricular Activities:				
Male Activities	38,000.00	38,000.00	35,631.63	2,368.37
Female Activities	29,550.00	36,630.00	33,964.36	2,665.64
Transportation	38,000.00	38,000.00	32,717.96	5,282.04
Combined Activities	230,888.00	269,709.99	256,721.78	12,988.21
Contingencies				
Amount Transferred	50,000.00	50,000.00		3,969.48
		(46,030.52)		
Total Expenditures	4,652,594.00	4,683,307.00	4,260,015.15	423,291.85
Excess of Revenue Over (Under)				
Expenditures	(421,274.00)	(446,987.00)	(88,568.25)	358,418.75
Other Financing Sources (Uses):				
Transfers In	390,012.00	390,012.00	105,465.16	(284,546.84)
Sale of Surplus Property	0.00	0.00	5,120.12	5,120.12
Total Other Financing Sources (Uses)	390,012.00	390,012.00	110,585.28	(279,426.72)
Net Change in Fund Balances	(31,262.00)	(56,975.00)	22,017.03	78,992.03
Fund Balance - Beginning	2,138,499.83	2,138,499.83	2,138,499.83	0.00
FUND BALANCE - ENDING	2,107,237.83	2,081,524.83	2,160,516.86	78,992.03

REQUIRED SUPPLEMENTARY INFORMATION
WINNER SCHOOL DISTRICT NO 59-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	1,236,100.00	1,236,100.00	1,286,835.36	50,735.36
Prior Years' Ad Valorem Taxes	5,000.00	5,000.00	16,688.43	11,688.43
Penalties and Interest on Taxes	2,000.00	2,000.00	3,379.26	1,379.26
Earnings on Investments and Deposits	0.00	0.00	1,504.41	1,504.41
Total Revenue	1,243,100.00	1,243,100.00	1,308,407.46	65,307.46
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	63,666.00	67,633.64	67,633.64	0.00
Middle/Junior High	46,167.00	47,410.15	47,410.15	0.00
High School	78,505.00	85,639.38	84,398.13	1,241.25
Support Services:				
Instructional Staff:				
Educational Media	18,000.00	18,000.00	13,192.79	4,807.21
General Administration:				
Board of Education	20,000.00	20,000.00	20,000.00	0.00
Business:				
Facilities Acquisition and Construction	502,600.00	502,600.00	491,356.70	11,243.30
Operation and Maintenance of Plant	205,025.00	205,025.00	162,426.22	42,598.78
Pupil Transportation	98,500.00	102,862.00	99,458.56	3,403.44
Food Services	0.00	1,585.00	1,585.00	0.00
Debt Services	87,825.00	87,825.00	87,825.00	0.00
Cocurricular Activities:				
Male Activities	20,500.00	20,500.00	13,154.34	7,345.66
Female Activities	12,500.00	12,500.00	8,153.33	4,346.67
Transportation	31,000.00	31,000.00	27,386.85	3,613.15
Combined Activities	10,000.00	10,000.00	0.00	10,000.00
Total Expenditures	1,194,288.00	1,212,580.17	1,123,980.71	88,599.46
Excess of Revenue Over (Under)				
Expenditures	48,812.00	30,519.83	184,426.75	153,906.92
Other Financing Sources (Uses):				
Transfers Out	(3,000.00)	(3,000.00)	(1,504.41)	1,495.59
Total Other Financing Sources (Uses)	(3,000.00)	(3,000.00)	(1,504.41)	1,495.59
Net Change in Fund Balances	45,812.00	27,519.83	182,922.34	155,402.51
Fund Balance - Beginning	1,266,209.22	1,266,209.22	1,266,209.22	0.00
FUND BALANCE - ENDING	1,312,021.22	1,293,729.05	1,449,131.56	155,402.51

WINNER SCHOOL DISTRICT NO. 59-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	699,134.00	699,134.00	729,008.66	29,874.66
Prior Years' Ad Valorem Taxes	4,000.00	4,000.00	8,036.25	4,036.25
Penalties and Interest on Taxes	1,500.00	1,500.00	1,634.64	134.64
Earnings on Investments and Deposits	0.00	0.00	787.59	787.59
Other Revenue from Local Sources:				
Charges for Services	19,000.00	19,000.00	26,138.26	7,138.26
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received Directly from Federal Government	15,000.00	15,000.00	19,822.00	4,822.00
Restricted Grants-in-Aid Received from Federal Government Through the State	166,616.00	166,616.00	168,472.04	1,856.04
Total Revenue	905,250.00	905,250.00	953,899.44	48,649.44
Expenditures:				
Instruction:				
Special Programs:				
Programs for Special Education Coordinated Early Intervening Services (CEIS) Instruction	623,688.00	625,488.00	540,020.14	85,467.86
	16,472.00	19,072.00	18,970.99	101.01
Support Services:				
Pupils:				
Psychological	12,360.00	14,353.00	14,353.00	0.00
Speech Pathology	96,608.00	97,703.00	97,702.49	0.51
Student Therapy Services	53,190.00	67,405.00	62,977.43	4,427.57
Special Education:				
Administrative Costs	102,376.00	102,376.00	85,905.14	16,470.86
Transportation Costs	16,250.00	16,250.00	3,003.52	13,246.48
Other Special Education Costs			1,607.04	(1,607.04)
Total Expenditures	920,944.00	942,647.00	824,539.75	118,107.25
Excess of Revenue Over (Under) Expenditures	(15,694.00)	(37,397.00)	129,359.69	166,756.69
Other Financing Sources (Uses):				
Transfers Out	(2,000.00)	(2,000.00)	(787.59)	1,212.41
Total Other Financing Sources (Uses)	(2,000.00)	(2,000.00)	(787.59)	1,212.41
Net Change in Fund Balances	(17,694.00)	(39,397.00)	128,572.10	167,969.10
Fund Balance - Beginning	563,001.25	563,001.25	563,001.25	0.00
FUND BALANCE - ENDING	545,307.25	523,604.25	691,573.35	167,969.10

REQUIRED SUPPLEMENTARY INFORMATION
WINNER SCHOOL DISTRICT 59-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
PENSION FUND
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	132,440.00	132,440.00	146,745.65	14,305.65
Prior Years' Ad Valorem Taxes	500.00	500.00	1,674.73	1,174.73
Penalties and Interest on Taxes	200.00	200.00	334.44	134.44
Earnings on Investments and Deposits	0.00	0.00	491.89	491.89
Total Revenue	<u>133,140.00</u>	<u>133,140.00</u>	<u>149,246.71</u>	<u>16,106.71</u>
Expenditures:				
Nonprogrammed Charges:				
Early Retirement Payments	176,300.00	176,300.00	176,183.72	116.28
Total Expenditures	<u>176,300.00</u>	<u>176,300.00</u>	<u>176,183.72</u>	<u>116.28</u>
Excess of Revenue Over (Under)				
Expenditures	<u>(43,160.00)</u>	<u>(43,160.00)</u>	<u>(26,937.01)</u>	<u>16,222.99</u>
Other Financing Sources (Uses):				
Transfers Out	(1,000.00)	(1,000.00)	(491.89)	508.11
Total Other Financing Sources (Uses)	<u>(1,000.00)</u>	<u>(1,000.00)</u>	<u>(491.89)</u>	<u>508.11</u>
Net Change in Fund Balances	<u>(44,160.00)</u>	<u>(44,160.00)</u>	<u>(27,428.90)</u>	<u>16,731.10</u>
Fund Balance - Beginning	331,862.08	331,862.08	331,862.08	0.00
FUND BALANCE - ENDING	<u>287,702.08</u>	<u>287,702.08</u>	<u>304,433.18</u>	<u>16,731.10</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2014

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 INFORMATIONJune 30, 2014

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

	<u>Year Ended 6/30/2014</u>
General Fund:	
USGAAP Basis Fund Balance	\$ 4,019,929.43
(Deduct) Impact Aid Revenue	(260,309.53)
Impact Aid Beginning Balance	(1,705,922.64)
Impact Aid Transfer Out	<u>106,819.60</u>
Net Adjustment to GAAP Basis Fund Balance	<u>(1,859,412.57)</u>
Budgetary Basis Fund Balance	<u>\$ 2,160,516.86</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/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.

WINNER SCHOOL DISTRICT NO. 59-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures FY 2014</u>
US Department of Agriculture:		
Pass-Through the SD Department of Education:		
Child Nutrition Cluster:		
Non-Cash Assistance (Commodities):		
National School Lunch Program (Note 3)	10.555	<u>16,281.74</u>
Cash Assistance:		
School Breakfast Program (Note 2) (Note 3)	10.553	<u>27,350.91</u>
National School Lunch Program (Note 2) (Note 3)	10.555	<u>135,656.96</u>
Total for Child Nutrition Cluster		<u>179,289.61</u>
Fresh Fruit and Vegetable Program	10.582	<u>16,114.24</u>
Total US Department of Agriculture		<u>195,403.85</u>
US Department of Education:		
Direct Federal Funding:		
Impact Aid	84.041	<u>123,976.62</u>
Pass-Through the SD Department of Education:		
Special Education Cluster:		
Special Education - Grants to States (Note 2)(Note 3)	84.027	<u>156,633.00</u>
Special Education - Preschool Grants (Note 3)	84.173	<u>6,007.00</u>
Total for Special Education Cluster		<u>162,640.00</u>
Title I Grants to Local Educational Agencies (Note 3)	84.010	<u>250,572.00</u>
Pass-Through the Mid-Central Cooperative		
Vocational Education	84.048	<u>1,200.00</u>
Special Education - Grants for Infants and Families	84.181	<u>5,832.04</u>
Rural Education	84.358	<u>14,464.00</u>
Improving Teacher Quality State Grants	84.367	<u>124,221.00</u>
Total US Department of Education		<u>682,905.66</u>
GRAND TOTAL		<u>878,309.51</u>

NOTE 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the school and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

NOTE 3: This represents a major federal financial assistance program.