

MUNICIPALITY OF WINNER
WINNER, SOUTH DAKOTA

AUDIT REPORT

FOR THE YEAR JANUARY 1, 2021 TO DECEMBER 31, 2021

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF WINNER

MUNICIPAL OFFICIALS
DECEMBER 31, 2021

MAYOR:

Jody Brozik

GOVERNING BOARD:

John "Jack" Burns, President
Austin Klundt, Vice-President
Jeremy Clay
Brad Schramm
Justin Schuyler
Val Sherman

FINANCE OFFICER:

Chandra Phillips

ATTORNEY:

Paul Jensen

Schoenfish & Co., Inc.

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105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57368

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

Governing Board
Municipality of Winner
Winner, 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 Municipality of Winner, South Dakota (Municipality), as of December 31, 2021, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated November 23, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Municipality'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 Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as item 2021-001 to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality'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

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Current Audit Findings as item 2021-002.

Municipality's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Municipality's response to the findings identified in our audit. The Municipality's response to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The Municipality'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 Municipality'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 23, 2022

Schoenfish & Co., Inc.

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SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

PRIOR FEDERAL AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2020-001:

A material weakness exists in internal control resulting in errors and omissions in the annual financial statements prepared by municipal officials. This comment has not been corrected and a similar comment is restated as current audit finding number 2021-001.

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105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57365

SCHEDULE OF CURRENT AUDIT FINDINGSCURRENT OTHER AUDIT FINDINGS:Internal Control – Related Finding – Material Weakness:Finding Number 2021-001:Condition:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This has been a continuing audit comment since 2013.

Criteria:

Proper segregation of duties is a key risk management tool that results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Cause:

The Finance Officer and Office Assistants 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.

- a. A lack of proper segregation of duties existed for the revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.
- b. Significant errors and omissions were noted in the annual financial statements. The financial statements in this report have been adjusted to account for the errors and omissions.
- c. Expenditures pertaining to construction projects were improperly accounted for between the funds, necessitating prior period adjustments for construction projects and capitalized costs.

Effect:

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

Recommendation:

1. We recommend that the Municipality of Winner 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.
2. We recommend that all necessary accounting records be established and properly maintained.

Management's Response:

The Municipality of Winner Mayor, Jody Brozik, is the contact person responsible for the corrective action plan for this comment. We will attempt to be more accurate and complete when preparing the financial statements and obtain sufficient expertise to do so as well as develop policies and procedures to provide compensating controls for the lack of segregation of duties for revenue.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)

Compliance – Related Finding:

Finding Number 2021-002:

Condition:

Expenditures were in excess of the amounts budgeted in the Liquor, Lodging, & Dining Fund. This is the first audit in which a similar audit finding has occurred.

Criteria:

SDCL 9-21-7 states in part, "In the event of the failure to provide by the annual appropriation ordinance...and when any of such occasions arise the governing body of such municipality may make, approve and adopt a supplemental appropriation ordinance, providing therein for appropriations for any or such purposes in such amounts as said governing body may determine necessary and such supplemental appropriation ordinance shall set out in detail each item for which an appropriation is made and the amount thereof. The adoption of such supplemental appropriation ordinance shall be governed by the same laws pertaining to the adoption of the annual appropriation ordinance." Also, SDCL 9-21-9 states, "Neither the governing body nor any department or officer of the municipality shall add to the municipal expenditures in any fiscal year any sum in excess of the amount provided for in the annual appropriation ordinance except as otherwise specially provided. Nor shall the amount spent for any purpose or any department exceed the total amount appropriated for such purpose or for such department in the annual appropriation ordinance for such year, except as otherwise specially provided."

Cause:

The Municipality expended money in excess of amounts budgeted without supplementing the budget as allowed by SDCL 9-21-7.

Effect:

Without amending the budget or limiting expenditures, expenditures are being made without proper authority.

Recommendation:

3. We recommend that budgets be adopted in accordance with SDCL 9-21-9 and that the expenditures be limited to amounts budgeted or budget supplements be made in accordance with SDCL 9-21-7 and SDCL 9-21-6.1 to allow for expenditures.

Management's Response:

The Municipality of Winner Mayor, Jody Brozik, is the contact person responsible for the response for this comment. The Municipality will be more careful to follow the budgetary guidelines prescribed by law.

CLOSING CONFERENCE

The audit and recommendations were discussed with the officials during the course of the audit and with the Mayor, two council members, and the finance officer on July 27, 2022.

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Winner
Winner, South Dakota

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Winner, South Dakota, (Municipality) as of December 31, 2021, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Winner as of December 31, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of Municipality Contributions, and the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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The Municipality has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2022, on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipality's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Municipality's internal control over financial reporting and compliance.



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Certified Public Accountants
November 23, 2022

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MUNICIPALITY OF WINNER
STATEMENT OF NET POSITION
December 31, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	1,761,519.27	5,925,956.42	7,687,475.69
Accounts Receivable, Net	108,850.35	874,419.19	983,269.54
Inventories	71,202.33	983,811.33	1,055,013.66
Net Pension Asset	600,037.64	871,157.88	1,471,195.52
Capital Assets:			
Land and Construction Work in Progress	38,757.00	579,662.04	618,419.04
Other Capital Assets, Net of Depreciation	6,632,112.29	22,000,468.89	28,632,581.18
TOTAL ASSETS	9,212,478.88	31,235,475.75	40,447,954.63
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	767,443.84	1,114,204.69	1,881,648.53
TOTAL DEFERRED OUTFLOWS OF RESOURCES	767,443.84	1,114,204.69	1,881,648.53
LIABILITIES :			
Other Current Liabilities		401,605.90	401,605.90
Noncurrent Liabilities:			
Due Within One Year	303,572.50	416,346.98	719,919.48
Due in More than One Year	1,005,364.32	4,862,865.55	5,868,229.87
TOTAL LIABILITIES	1,308,936.82	5,680,818.43	6,989,755.25
DEFERRED INFLOWS OF RESOURCES:			
Pension Related Deferred Inflows	1,161,509.24	1,686,324.10	2,847,833.34
TOTAL DEFERRED INFLOWS OF RESOURCES	1,161,509.24	1,686,324.10	2,847,833.34
NET POSITION:			
Net Investment in Capital Assets	5,490,781.64	17,439,091.13	22,929,872.77
Restricted for:			
911 Communications Purposes	523,313.40		523,313.40
Debt Service Purposes	24,197.62	111,081.00	135,278.62
SDRS Pension Purposes	205,972.24	299,038.47	505,010.71
Swimming Pool and Park Purposes	75,349.51		75,349.51
24/7 Sobriety Purposes	47,338.90		47,338.90
Equipment Repair and/or Replacement		1,380,000.00	1,380,000.00
Permanently Restricted Purposes:			
Cemetery Perpetual Care Fund:			
Expendable	10,542.34		10,542.34
Non-Expendable	50,000.00		50,000.00
Unrestricted (Deficit)	1,081,981.01	5,753,327.31	6,835,308.32
TOTAL NET POSITION	7,509,476.66	24,982,537.91	32,492,014.57

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

MUNICIPALITY OF WINNER
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
Primary Government:						
Governmental Activities:						
General Government	695,274.97	150,675.19			(544,599.78)	(544,599.78)
Public Safety	1,678,007.21	30,277.72	322,862.13		(1,324,867.36)	(1,324,867.36)
Public Works	1,115,685.82	52,775.00	148,722.66	5,658.67	(908,529.49)	(908,529.49)
Health and Welfare	22,382.44		10,000.00		(12,382.44)	(12,382.44)
Culture and Recreation	721,793.49	33,498.05			(688,295.44)	(688,295.44)
Conservation and Development	161,082.05				(161,082.05)	(161,082.05)
*Interest on Long-term Debt	54,360.51				(54,360.51)	(54,360.51)
Total Governmental Activities	4,448,586.49	267,225.96	481,584.79	5,658.67	(3,694,117.07)	(3,694,117.07)
Business-type Activities:						
Water	469,635.42	736,124.84		98,208.47	364,697.89	364,697.89
Sewer	506,135.25	450,438.04		98,208.47	42,511.26	42,511.26
Light	2,067,861.21	3,865,931.83			1,798,070.62	1,798,070.62
Sanitation	600,758.22	648,233.73			47,475.51	47,475.51
Airport	301,028.02			217,681.01	(83,347.01)	(83,347.01)
Jail	3,479,271.30	4,891,777.15			1,412,505.85	1,412,505.85
Total Business-type Activities	7,424,689.42	10,592,505.59	0.00	414,097.95	3,581,914.12	3,581,914.12
Total Primary Government	11,873,275.91	10,859,731.55	481,584.79	419,756.62	(3,694,117.07)	(112,202.95)
General Revenues:						
Taxes:						
Property Taxes					686,158.94	686,158.94
Sales Taxes					2,058,772.22	2,058,772.22
State Shared Revenues					31,267.33	31,267.33
Unrestricted Investment Earnings					31,071.70	26,598.39
Miscellaneous Revenue					35,101.22	26,266.59
Extraordinary Item - Lawsuit Settlement (See Note 12)					184,652.73	184,652.73
Transfers					1,400,000.00	0.00
Total General Revenues, Extraordinary Item, and Transfers					4,242,371.41	3,079,889.12
Change in Net Position					548,254.34	2,967,686.17
Net Position - Beginning					7,347,134.96	29,524,328.40
Adjustments: (See Note 13)						
Move Prior A/R to Jail Fund					(311,198.42)	311,198.42
Move Cash Reserve to Jail Fund					(327,532.41)	327,532.41
Move Accrued Leave to Jail Fund					99,982.21	(99,982.21)
Capital Asset Reclassifications					152,835.98	(152,835.98)
Adjusted Net Position - Beginning					6,961,222.32	22,563,106.08
NET POSITION - ENDING					7,509,476.66	24,982,537.91
						32,492,014.57

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

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

MUNICIPALITY OF WINNER
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021

	General Fund	Liquor, Lodging, & Dining Sales Tax Fund	24/7 Sobriety Fund	911 Communications Fund	Pool Debt Service Fund	Cemetery Perpetual Care Funds	Total Governmental Funds
ASSETS:							
Cash and Cash Equivalents	1,041,743.23	67,533.65	47,338.90	523,313.40	21,047.75	60,542.34	1,761,519.27
Taxes Receivable--Delinquent	34,553.73				3,149.87		37,703.60
Accounts Receivable, Net	1,467.14						1,467.14
Special Assessments Receivable--Delinquent	19,057.80						19,057.80
Due from State Government	42,805.95	7,815.86					50,621.81
Inventory of Supplies	71,202.33						71,202.33
TOTAL ASSETS	1,210,830.18	75,349.51	47,338.90	523,313.40	24,197.62	60,542.34	1,941,571.95
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:							
Deferred Inflows of Resources:							
Unavailable Revenue - Property Taxes	34,553.73				3,149.87		37,703.60
Unavailable Revenue - Special Assessments	19,057.80						19,057.80
Total Deferred Inflows of Resources	53,611.53	0.00	0.00	0.00	3,149.87	0.00	56,761.40
Fund Balances:							
Nonspendable for Inventory	71,202.33						71,202.33
Nonspendable for Cemetery Perpetual Care						60,542.34	60,542.34
Restricted for Swimming Pool & Parks		75,349.51					75,349.51
Restricted for 24/7 Sobriety			47,338.90				47,338.90
Restricted for 911 Communications				523,313.40			523,313.40
Restricted for Debt Service					21,047.75		21,047.75
Assigned for Next Year's Budget	122,392.00						122,392.00
Unassigned	963,624.32						963,624.32
Total Fund Balances	1,157,218.65	75,349.51	47,338.90	523,313.40	21,047.75	60,542.34	1,884,810.55
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	1,210,830.18	75,349.51	47,338.90	523,313.40	24,197.62	60,542.34	1,941,571.95

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

MUNICIPALITY OF WINNER
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2021

Total Fund Balances - Governmental Funds	<u>1,884,810.55</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>600,037.64</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>6,670,869.29</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>767,443.84</u>
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,308,936.82)</u>
Assets, such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>56,761.40</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(1,161,509.24)</u>
Net Position - Governmental Activities	<u><u>7,509,476.66</u></u>

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

MUNICIPALITY OF WINNER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	General Fund	Liquor, Lodging, & Dining Sales Tax Fund	24/7 Sobriety Fund	911 Communications Fund	Pool Debt Service Fund	Cemetery Perpetual Care Fund	Total Governmental Funds
Revenues:							
Taxes:							
General Property Taxes	617,990.64				59,213.54		677,204.18
Aircraft Property Tax	1,341.48						1,341.48
General Sales and Use Taxes	1,919,723.30	139,048.92					2,058,772.22
Penalties and Interest on Delinquent Taxes	2,609.46						2,609.46
Licenses and Permits	24,312.00				238.69		24,550.69
Intergovernmental Revenue:							
State Grants			10,000.00				10,000.00
State Shared Revenue:							
Bank Franchise Tax	9,993.75						9,993.75
Prorate License Fees	12,199.16						12,199.16
Liquor Tax Reversion	21,273.58						21,273.58
Motor Vehicle Licenses	41,200.43						41,200.43
Local Government Highway and Bridge Fund	88,027.52						88,027.52
911 Remittances				322,862.13			322,862.13
County Shared Revenue:							
County Wheel Tax	7,295.55						7,295.55
Charges for Goods and Services:							
General Government	79,284.69						79,284.69
Public Safety			22,748.50				22,748.50
Culture and Recreation	33,498.05						33,498.05
Cemetery	38,495.00					3,480.00	41,975.00
Fines and Forfeits:							
Court Fines and Costs	7,529.22						7,529.22
Miscellaneous Revenue:							
Investment Earnings	21,881.56			8,883.98		306.16	31,071.70
Rentals	57,878.50						57,878.50
Special Assessments	2,640.67						2,640.67
Other	21,617.84			13,483.38			35,101.22
Total Revenue	3,008,792.40	139,048.92	32,748.50	345,229.49	59,452.23	3,786.16	3,589,057.70

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

MUNICIPALITY OF WINNER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	General Fund	Liquor, Lodging, & Dining Sales Tax Fund	24/7 Sobriety Fund	911 Communications Fund	Pool Debt Service Fund	Cemetery Perpetual Care Fund	Total Governmental Funds
Expenditures:							
General Government:							
Executive	81,954.72						81,954.72
Elections	562.49						562.49
Financial Administration	502,427.65						502,427.65
Other	109,930.39						109,930.39
Total General Government	694,875.25	0.00	0.00	0.00	0.00	0.00	694,875.25
Public Safety:							
Police	870,152.77		29,889.48				900,042.25
Fire	51,509.99						51,509.99
Protective Inspection				715,616.16			715,616.16
Total Public Safety	921,662.76	0.00	29,889.48	715,616.16	0.00	0.00	1,667,168.40
Public Works:							
Highways and Streets	539,295.42						539,295.42
Cemeteries	126,102.91						126,102.91
Total Public Works	665,398.33	0.00	0.00	0.00	0.00	0.00	665,398.33
Health and Welfare:							
Health	21,292.42						21,292.42
Total Health and Welfare	21,292.42	0.00	0.00	0.00	0.00	0.00	21,292.42
Culture and Recreation:							
Recreation	100,564.14						100,564.14
Parks	448,379.00						448,379.00
Total Culture and Recreation	548,943.14	0.00	0.00	0.00	0.00	0.00	548,943.14
Conservation and Development:							
Economic Development and Assistance	173,549.56						173,549.56
Total Conservation and Development	173,549.56	0.00	0.00	0.00	0.00	0.00	173,549.56
Debt Service	114,200.20	125,861.09	0.00	0.00	108,000.00	0.00	348,061.29
Capital Outlay	661,062.31	0.00	0.00	71,528.85	0.00	0.00	732,591.16
Total Expenditures	3,800,983.97	125,861.09	29,889.48	787,145.01	108,000.00	0.00	4,851,879.55
Excess of Revenue Over (Under) Expenditures	(792,191.57)	13,187.83	2,859.02	(441,915.52)	(48,547.77)	3,786.16	(1,262,821.85)

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

MUNICIPALITY OF WINNER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	General Fund	Liquor, Lodging, & Dining Sales Tax Fund	247 Sobriety Fund	911 Communications Fund	Pool Debt Service Fund	Cemetery Perpetual Care Fund	Total Governmental Funds
Other Financing Sources (Uses):							
Transfers In	1,000,000.00			400,000.00			1,400,000.00
Total Other Financing Sources (Uses)	1,000,000.00	0.00	0.00	400,000.00	0.00	0.00	1,400,000.00
Net Change in Fund Balances	207,808.43	13,187.83	2,859.02	(41,915.52)	(48,547.77)	3,786.16	137,178.15
Fund Balance - Beginning	1,588,141.05	62,161.68	44,479.88	565,228.92	69,595.52	56,756.18	2,386,363.23
Adjustments (See Note 13):							
Move Prior A/R to Jail Fund	(311,198.42)						(311,198.42)
Move Cash Reserve to Jail Fund	(327,532.41)						(327,532.41)
Adjusted Fund Balance - Beginning	949,410.22	62,161.68	44,479.88	565,228.92	69,595.52	56,756.18	1,747,632.40
FUND BALANCE - ENDING	1,157,218.65	75,349.51	47,338.90	523,313.40	21,047.75	60,542.34	1,884,810.55

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

MUNICIPALITY OF WINNER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

Net Change in Fund Balances - Total Governmental Funds	<u>137,178.15</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>732,591.16</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(776,411.39)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	<u>293,700.78</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>4,765.13</u>
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	<u>3,018.00</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>38,728.42</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g., pension expense)	<u>1,826.51</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>112,857.58</u>
Change in Net Position of Governmental Activities	<u><u>548,254.34</u></u>

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

MUNICIPALITY OF WINNER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2021

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Light Fund	Sanitation Fund	Airport Fund	Jail Fund
ASSETS:						
Current Assets:						
Cash and Cash Equivalents	1,059,243.32	597,085.93	1,845,792.87	250,071.91	117,303.64	2,056,458.75
Accounts Receivable, Net	47,562.74	37,601.50	280,138.38	58,812.20		450,304.37
Inventory of Supplies	83,263.26	11,803.22	888,744.85			
Total Current Assets	1,190,069.32	646,490.65	3,014,676.10	308,884.11	117,303.64	2,506,763.12
Noncurrent Assets:						
Net Pension Asset	48,916.35	40,951.07	129,718.60			651,571.86
Capital Assets:						
Land						
Buildings	112,800.00	35,971.65	32,667.50	25,000.00	246,866.90	2,550.00
Improvements Other Than Buildings	419,649.70	50,000.00	87,998.00	5,000.00	1,457,932.73	9,348,687.37
Machinery and Equipment	3,081,802.97	7,083,934.30	4,031,411.70	69,400.37	8,081,257.72	3,227.37
Construction Work in Progress	442,527.92	209,366.07	1,558,717.57	122,945.00	114,325.00	727,040.88
Less: Accumulated Depreciation	123,805.99	(3,822,893.40)	(3,990,154.87)	(194,602.08)	(2,741,468.19)	(2,096,450.00)
Total Noncurrent Assets	(2,049,187.24)	3,597,329.69	1,850,358.50	27,743.29	7,158,914.16	8,636,627.48
TOTAL ASSETS	3,370,385.01	4,243,820.34	4,865,034.60	336,627.40	7,276,217.80	11,143,390.60
DEFERRED OUTFLOWS OF RESOURCES:						
Pension Related Deferred Outflows	62,563.66	52,376.12	165,909.16			833,355.75
TOTAL DEFERRED OUTFLOWS OF RESOURCES	62,563.66	52,376.12	165,909.16	0.00	0.00	833,355.75

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

MUNICIPALITY OF WINNER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2021

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Light Fund	Sanitation Fund	Airport Fund	Jail Fund
LIABILITIES:						
Current Liabilities:						
Accounts Payable			30,184.38		2,126.29	
Notes Payable - Current			16,618.42	2,654.21		
Due to State Government			90,755.78			
Customer Deposits	36,948.00					
Unearned Revenue	252,503.20					
Bonds Payable Current:						
Revenue	11,831.16	91,945.32				
Accrued Leave Payable - Current	14,000.00	2,500.00	20,000.00			
Total Current Liabilities	315,282.36	94,445.32	157,558.58	2,654.21	2,126.29	
Noncurrent Liabilities:						
Bonds Payable:						
Revenue	227,018.68	1,325,521.27				
Accrued Leave Payable	3,095.21	2,947.87	4,359.85			
Other Long-Term Liabilities			77,452.43			
Total Noncurrent Liabilities	230,113.89	1,328,469.14	81,812.28	0.00	0.00	
TOTAL LIABILITIES	545,396.25	1,422,914.46	239,370.86	2,654.21	2,126.29	
						5,680,818.43
	94,688.71	79,270.11	251,099.83			1,261,265.45
	94,688.71	79,270.11	251,099.83	0.00	0.00	1,686,324.10
DEFERRED INFLOWS OF RESOURCES:						
Pension Related Deferred Inflows						
TOTAL DEFERRED INFLOWS OF RESOURCES						
NET POSITION:						
Net Investment in Capital Assets	1,892,549.50	2,138,912.03	1,613,003.09	27,743.29	7,158,914.16	4,607,969.06
Restricted For:						
Revenue Bond Debt Service		111,081.00				
Equipment Repair and/or Replacement	690,000.00	690,000.00				
SDSR Pension Purposes	16,791.30	14,057.08	44,527.93			
Unrestricted Net Position	193,522.91	(160,038.22)	2,882,942.05	306,229.90	115,177.35	2,415,493.32
TOTAL NET POSITION	2,792,863.71	2,794,011.89	4,540,473.07	333,973.19	7,274,091.51	7,247,124.54
						24,982,537.91

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

MUNICIPALITY OF WINNER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2021

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Light Fund	Sanitation Fund	Airport Fund	Jail Fund
Operating Revenue:						
Charges for Goods and Services	711,062.57	399,547.04	3,865,931.83	648,233.73		4,891,777.15
Revenue Dedicated to Servicing Debt	25,062.27	50,891.00				
Total Operating Revenue	736,124.84	450,438.04	3,865,931.83	648,233.73	0.00	4,891,777.15
Operating Expenses:						
Personal Services	206,148.36	83,741.47	477,493.00	30,244.53		1,977,461.30
Other Current Expense	95,775.93	102,219.46	23,521.02	570,190.95	36,732.59	1,028,725.45
Materials (Cost of Goods Sold)			1,414,578.97			
Depreciation	161,984.22	277,400.58	138,491.20	322.74	284,295.43	372,655.12
Total Operating Expenses	463,908.51	463,361.51	2,054,084.19	600,758.22	301,028.02	3,378,841.87
Operating Income (Loss)	272,216.33	(12,923.47)	1,811,847.64	47,475.51	(301,028.02)	1,512,935.28
Nonoperating Revenue (Expense):						
Investment Earnings	6,019.18	3,404.97	9,980.05	1,166.92		6,027.27
Rental Revenue					18,025.59	
Interest Expense and Fiscal Charges	(5,726.91)	(42,773.74)	(13,777.02)			(100,429.43)
Gain (Loss) on Disposition of Assets			2,241.00			
Other					6,000.00	
Total Nonoperating Revenue (Expense)	292.27	(39,368.77)	(1,555.97)	1,166.92	24,025.59	(94,402.16)
Income (Loss) Before Contributions, Transfers and Extraordinary Items	272,508.60	(52,292.24)	1,810,291.67	48,642.43	(277,002.43)	1,418,533.12
Capital Contributions	98,208.47	98,208.47			217,681.01	
Transfers In		194,721.00				
Transfers Out	(194,721.00)		(1,000,000.00)			(400,000.00)
Extraordinary Item - Lawsuit Settlement (See Note 12)			184,652.73			
Change in Net Position	175,996.07	240,637.23	994,944.40	48,642.43	(59,321.42)	1,018,533.12
						2,419,431.83

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

MUNICIPALITY OF WINNER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2021

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Light Fund	Sanitation Fund	Airport Fund	Jail Fund
Net Position - Beginning	2,666,839.24	2,553,374.66	3,545,528.67	285,330.76	7,404,802.47	5,721,317.64
Adjustments: (See Note 13)	(49,971.60)					
Capital Asset Reclassification					(71,389.54)	(31,474.84)
Move Prior A/R from General Fund						311,198.42
Move Cash Reserve from General Fund						327,532.41
Move Prior Accrued Leave from Governmental Activities						(99,982.21)
Adjusted Net Position - Beginning	2,616,867.64	2,553,374.66	3,545,528.67	285,330.76	7,333,412.93	6,228,591.42
NET POSITION - ENDING	2,792,863.71	2,794,011.89	4,540,473.07	333,973.19	7,274,091.51	7,247,124.54
						22,563,106.08
						(152,835.98)
						311,198.42
						327,532.41
						(99,982.21)
						22,563,106.08
						24,982,537.91

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

MUNICIPALITY OF WINNER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended December 31, 2021

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Light Fund	Sanitation Fund	Airport Fund	Jail Fund
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash Receipts from Customers	740,521.37	447,313.60	3,845,200.67	642,816.60		4,752,671.20
Cash Payments to Employees for Services	(221,833.88)	(96,019.20)	(522,064.15)	(30,244.53)		(2,209,835.87)
Cash Payments to Suppliers of Goods and Services	(96,472.61)	(106,421.89)	(1,785,399.96)	(570,521.98)	(36,732.59)	(1,028,725.45)
Extraordinary Item - Lawsuit Settlement (See Note 12)			184,652.73			184,652.73
Net Cash Provided (Used) by Operating Activities	422,214.88	244,872.51	1,722,389.29	42,050.09	(36,732.59)	1,514,109.88
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating Subsidies					105,531.66	857,051.75
Transfers In	(194,721.00)	194,721.00	(1,000,000.00)			(400,000.00)
Transfers Out						
Net Cash Provided (Used) by Noncapital Financing Activities	(194,721.00)	194,721.00	(1,000,000.00)	0.00	105,531.66	457,051.75
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Proceeds from Capital Debt						173,409.63
Capital Contributions	350,711.67	98,208.47			217,681.01	666,601.15
Purchase of Capital Assets	(600,980.37)	(522,086.41)	(690,162.83)		(265,615.89)	(2,711,688.94)
Proceeds from Sale of Capital Assets			83,000.00			83,000.00
Principal Paid on Capital Debt	(28,379.01)	(147,891.30)	(29,147.65)			(366,741.03)
Interest Paid on Capital Debt	(5,726.91)	(42,773.74)	(13,777.02)			(162,707.10)
Other Receipts (Payments)					24,025.59	24,025.59
Net Cash Provided (Used) by Capital and Related Financing Activities	(284,374.62)	(614,542.98)	(650,087.50)	0.00	(23,909.29)	(2,294,100.70)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Cash Received for Interest	6,019.18	3,404.97	9,980.05	1,166.92		6,027.27
Net Cash Provided (Used) by Investing Activities	6,019.18	3,404.97	9,980.05	1,166.92	0.00	6,027.27
Net Increase (Decrease) in Cash and Cash Equivalents	(50,861.56)	(171,544.50)	82,281.84	43,217.01	44,889.78	1,203,985.16
Balances - Beginning	1,110,104.88	768,630.43	1,763,511.03	206,854.90	72,413.86	4,394,438.85
Adjustments:						
Move Cash Reserve from General Fund (See Note 13)						327,532.41
Adjusted Balance - Beginning	1,110,104.88	768,630.43	1,763,511.03	206,854.90	72,413.86	4,721,971.26
Balances - Ending	1,059,243.32	597,085.93	1,845,792.87	250,071.91	117,303.64	5,925,956.42

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

MUNICIPALITY OF WINNER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2021

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Light Fund	Sanitation Fund	Airport Fund	Jail Fund
272,216.33	(12,923.47)	1,811,847.64	47,475.51	(301,028.02)	1,512,935.28	3,330,523.27
161,984.22	277,400.58	138,491.20	322.74	264,295.43	372,655.12	1,215,149.29
(38.47)	(3,124.44)	184,652.73	(5,417.13)	(139,105.95)		184,652.73
(696.68)	(4,202.43)	(347,384.25)				(180,737.15)
(34,630.45)	(38,575.19)	(20,736.27)			(833,355.75)	(927,297.66)
(48,723.88)	(40,855.98)	(128,718.32)			(651,571.86)	(869,870.04)
		84.28	(331.03)			(246.75)
(1,388.89)	546.82	(13,008.38)			(8,712.41)	(22,562.86)
69,057.70	66,606.62	117,891.82			1,261,265.45	1,514,821.59
4,435.00		12,320.00				16,755.00
422,214.88	244,872.51	1,722,389.29	42,050.09	(36,732.59)	1,514,109.88	3,908,904.06

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income (Loss)
Adjustments to Reconcile Operating Income to
Net Cash Provided (Used) by Operating Activities:
Depreciation Expense
Extraordinary Item - Lawsuit Settlement (See Note 12)
(Increase) decrease in Receivables
(Increase) decrease in Inventories
(Increase) decrease in Pension Related Deferred Outflows
(Increase) decrease in Net Pension Asset
(Decrease) increase in Accounts and Other Payables
(Decrease) increase in Accrued Leave Payable
(Decrease) increase in Pension Related Deferred Inflows
(Decrease) increase in Customer Deposits

Net Cash Provided (Used) by Operating Activities

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

**MUNICIPALITY OF WINNER
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2021**

	Custodial Funds
ASSETS:	
Cash and Cash Equivalents	<u>20,214.34</u>
TOTAL ASSETS	<u>20,214.34</u>
NET POSITION:	
Restricted for:	
Individuals Housed in Prison	<u>20,214.34</u>
TOTAL NET POSITION	<u><u>20,214.34</u></u>

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

MUNICIPALITY OF WINNER
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
December 31, 2021

	Custodial Funds
ADDITIONS:	
Other Additions	<u>897,843.79</u>
Total Additions	<u>897,843.79</u>
DEDUCTIONS	
Other Deductions	<u>919,446.42</u>
Total Deductions	<u>919,446.42</u>
Change in Net Position	<u>(21,602.63)</u>
Net Position - Beginning	<u>41,816.97</u>
NET POSITION - ENDING	<u><u>20,214.34</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of the Municipality of Winner (Municipality) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The Municipality participates in a cooperative unit, the Tri-County Landfill. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the Municipality.

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 Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Municipality and for each function of the Municipality'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 Municipality or it meets the following criteria:

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

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NOTES TO THE FINANCIAL STATEMENTS
(continued)

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 Municipality financial reporting entity are described below:

Governmental Funds:

General Fund – The General Fund is the general operating fund of the Municipality. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always a major fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Liquor, Lodging and Dining Sales Tax – to account for the collection of one percent tax and the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the promotion of advertising of the municipality. (SDCL 10-52A-2) This is a major fund.

24/7 Sobriety Fund – to account for the user fees collected in the administration of the 24/7 program, the proceeds of which shall be applied and used only to defray the recurring cost of twice a day testing including maintaining equipment, funding support services, and ensuring compliance. This is a major fund.

911 Communications Fund – to account for 911 emergency surcharges collected to be used for payments of nonrecurring and recurring costs and for the general operational expense of 911 related activities. (SDCL 34-45-4) This is a major fund.

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of the debt principal, interest, and related costs.

Series 2009 Pool Debt Service Fund – to account for property taxes which may be used only for payment of debt principal, interest and related costs. This is a major fund.

Permanent Funds – Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Municipality's programs---that is for the benefit of the Municipality and its citizenry.

Cemetery Perpetual Care Fund – to account for the payments received for perpetual care of cemeteries which is permanently set aside and for which only the income from the trust fund investments is used for the care and maintenance of the cemetery. (SDCL 9-32-18) This is a major fund.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

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. Governments should apply each of these criteria in the context of the activity's principal revenue sources.

- 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 fee and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Water Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal waterworks system and related facilities. (SDCL 9-47-1) This is a major fund.

Sewer Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities. (SDCL 9-48-2) This is a major fund.

Light Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal electrical system and related facilities. (SDCL 9-39-1 and 9-39-26) This is a major fund.

Sanitation Fund – financed primarily by user charges, this fund accounts for the collection and disposal of solid waste from the municipality. (SDCL 9-32-11 and 34A-6) This is a major fund.

Airport Fund – financed primarily by user charges, this fund accounts for the acquisition, construction and operation of a municipal airport. (SDCL 50-7-2) This is a major fund.

Jail Fund – financed primarily by intergovernmental charges, this fund accounts for the acquisition, construction and operation of a municipal jail. This is a major fund.

Fiduciary Funds:

Fiduciary funds consist of the following sub-category and is never considered a major fund.

Custodial Funds – Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for the accumulation and distribution of certain jail funds and commissary funds held on behalf of inmates.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

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 fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

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 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, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Municipality of Winner, the length of that cycle is 30 days. The revenues, which are accrued at December 31, 2021, are prisoner care and transport, interest on utility bills as required by local ordinance, sales tax from the State of South Dakota, and various state and federal grants.

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

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Expenditures are generally 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 and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Deposits and Investments:

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

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

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

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

Government-Wide Statements

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

The total December 31, 2021 balance of governmental activity capital assets are all valued at original cost. The total December 31, 2021 balance of business-type capital assets are all valued at original cost.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 2004, were not required to be capitalized by the Municipality. Infrastructure assets acquired since January 1, 2004 are recorded at cost, and classified as "Improvements Other than Buildings."

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

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund's 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 & Land Rights	\$ 0.00	---- N/A ----	---- N/A ----
Improvements Other than Buildings	\$ 7,500.00	Straight-Line	10-50 yrs.
Buildings	\$ 7,500.00	Straight-Line	33-200 yrs.
Machinery & Equipment	\$ 5,000.00	Straight-Line	3-20 yrs.
Infrastructure	\$ 7,500.00	Straight-Line	25-50 yrs.
Utility Property & Improvements	\$ 7,500.00	Straight-Line	25-50 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 Outlay expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

f. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of general obligation bonds, revenue bonds, financing (capital acquisition) leases, and compensated absences.

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

g. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the Municipality's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

NOTES TO THE FINANCIAL STATEMENTS
(continued)

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

h. Deferred Inflows and Deferred Outflows of Resources:

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

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

i. Proprietary Funds Revenue and Expense Classifications:

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

j. Cash and Cash Equivalents:

The Municipality pools the cash resources of its funds for cash management purposes. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash and 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.
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.

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NOTES TO THE FINANCIAL STATEMENTS
(continued)

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 may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned" and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary Fund is report as Net Position – Restricted.

I. Application of Net Position:

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

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 Municipality 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 Finance Officer.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable form such as inventory.
- Amount legally or contractually required to be maintained intact such as Cemetery Perpetual Care funds.

The Municipality 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 Municipality would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Municipality 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>
Liquor, Lodging, & Dining Fund	Sales Tax
24/7 Sobriety Fund	User Charges
911 Communications Fund	Telephone Surcharges

n. Pensions:

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

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS:

The Municipality is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents the overdrafts of the expenditures compared to appropriations:

	<u>Year Ended</u> <u>12/31/21</u>
Liquor, Lodging, & Dining Fund:	
<u>Activity</u>	
Debt Service	\$ 15,861.09

The Municipal Council plans to take the following actions to address these violations: use supplemental budgets when legal authority exists.

3. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATION OF CREDIT RISK AND INTEREST RATE RISK

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

Deposits – The Municipality's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1 and 7-20-1.2, and may be in the form of demand or time deposits.

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.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

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

As of December 31, 2021, the Municipality did not have any investments.

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

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

Interest Rate Risk – The Municipality 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 Municipality's policy is to credit all income from deposits and investments to the fund making the investment, except for interest generated by the Cemetery Perpetual Care Fund, which must be credited to the General Fund and used only for maintenance of the municipal cemetery, as required by SDCL 9-32-18.

4. RECEIVABLES AND PAYABLES

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

5. INVENTORY

Inventory in the General Fund and proprietary funds consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

Government-wide Financial Statements:

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed.

Fund Financial Statements:

In the fund financial statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed. Material supply inventories are off-set by a nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

6. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year.

The Municipality is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the Municipality.

7. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2021, is as follows:

	Balance 01/01/21	Increases	Decreases	Prior Period Adjustment	Balance 12/31/21
Governmental Activities:					
Capital Assets, not being depreciated:					
Land	38,757.00				38,757.00
Total, not being depreciated	38,757.00	0.00	0.00	0.00	38,757.00
Capital Assets, being depreciated:					
Buildings	635,086.07				635,086.07
Improvements Other Than Buildings	16,881,134.91	633,338.49			17,514,473.40
Machinery & Equipment	3,649,101.95	99,252.67	(605,584.87)	431,142.92	3,573,912.67
Total, being depreciated	21,165,322.93	732,591.16	(605,584.87)	431,142.92	21,723,472.14
Less Accumulated Depreciation for:					
Buildings	(178,577.11)	(22,196.04)			(200,773.15)
Improvements Other Than Buildings	(11,675,704.54)	(545,637.27)			(12,221,341.81)
Machinery & Equipment	(2,787,944.74)	(208,578.08)	605,584.87	(278,306.94)	(2,669,244.89)
Total Accumulated Depreciation	(14,642,226.39)	(776,411.39)	605,584.87	(278,306.94)	(15,091,359.85)
Total Capital Assets, being depreciated, net	6,523,096.54	(43,820.23)	0.00	152,835.98	6,632,112.29
Governmental Activity Capital Assets, Net	6,561,853.54	(43,820.23)	0.00	152,835.98	6,670,869.29

Depreciation expense was charged to functions as follows:

Governmental Activities:

General Government	10,518.42
Public Safety	94,414.25
Public Works	476,908.81
Health and Welfare	1,090.02
Culture and Recreation	193,157.15
Conservation and Development	322.74
Total Depreciation Expense - Governmental Activities	776,411.39

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NOTES TO THE FINANCIAL STATEMENTS
(continued)

	Balance 01/01/2021	Increases	Decreases	Prior Period Adjustment	Balance 12/31/2021
Primary Government:					
Business-Type Activities:					
Capital Assets,					
not being depreciated:					
Land	455,856.05				455,856.05
Construction Work in Progress	381,605.54	1,261,436.33	(1,519,235.88)		123,805.99
Total, not being depreciated	837,461.59	1,261,436.33	(1,519,235.88)	0.00	579,662.04
Capital Assets, being depreciated:					
Buildings	11,369,267.80				11,369,267.80
Improvements Other					
Than Buildings	20,606,291.17	1,744,743.26			22,351,034.43
Machinery & Equipment	3,001,428.52	767,025.38	(434,089.49)	(159,441.97)	3,174,922.44
Total, being depreciated	34,976,987.49	2,511,768.64	(434,089.49)	(159,441.97)	36,895,224.67
Less Accumulated Depreciation for:					
Buildings	(2,077,730.87)	(401,072.17)		161.34	(2,478,641.70)
Improvements Other					
Than Buildings	(10,041,449.52)	(635,978.55)		(161.34)	(10,677,589.41)
Machinery & Equipment	(1,920,362.58)	(178,098.57)	353,330.49	6,605.99	(1,738,524.67)
Total Accumulated Depreciation	(14,039,542.97)	(1,215,149.29)	353,330.49	6,605.99	(14,894,755.78)
Total Capital Assets,					
being depreciated, net	20,937,444.52	1,296,619.35	(80,759.00)	(152,835.98)	22,000,468.89
Business-Type Activity					
Capital Assets, Net	21,774,906.11	2,558,055.68	(1,599,994.88)	(152,835.98)	22,580,130.93

Depreciation expense was charged to functions as follows:

Business-Type Activities:

Water	161,984.22
Sewer	138,491.20
Light	277,400.58
Sanitation	264,295.43
Airport	322.74
Jail	372,655.12
Total Depreciation Expense - Business-Type Activities	1,215,149.29

Construction Work in Progress at December 31, 2021 is composed of the following:

Project Name	Project Authorization	Expended thru 12/31/2021	Committed	Required Future Financing
East Booster Station	123,805.99	123,805.99	0.00	0.00
TOTAL	123,805.99	123,805.99	0.00	0.00

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

8. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance	Due Within One Year
Primary Government:						
Governmental Activities:						
Bonds Payable:						
General Obligation Refunding Bonds-Series 2016	930,000.00		(215,000.00)		715,000.00	135,000.00
USDA Sales Tax Revenue Bonds, Series 2017	313,685.30		(8,239.58)		305,445.72	8,511.02
Direct Borrowings and Direct Placements:						
Promissory Note Payable	90,000.00		(15,000.00)		75,000.00	15,000.00
Financing (Capital Acquisition) Leases-Motor Grader	29,490.48		(29,490.48)		0.00	0.00
Financing (Capital Acquisition) Leases- 2019 Truck	110,612.65		(25,970.72)		84,641.93	27,061.48
Total Debt	1,473,788.43	0.00	(293,700.78)	0.00	1,180,087.65	185,572.50
Accrued Compensated Absences - Governmental Funds	267,559.80	79,040.85	(117,769.27)	(99,982.21)	128,849.17	118,000.00
Total Governmental Activities	1,741,348.23	79,040.85	(411,470.05)	(99,982.21)	1,308,936.82	303,572.50
Business-Type Activities:						
Bonds Payable:						
Sales Tax Revenue Bonds, Series 2019	3,365,000.00		(135,000.00)		3,230,000.00	140,000.00
SRF Loan #1, Clean Water Series 2006	489,049.73		(54,433.68)		434,616.05	56,224.48
SRF Loan #2, Clean Water Series 2012	254,509.68		(17,464.12)		237,045.56	17,993.96
SRF Loan #1, Drinking Water Series 2013	267,228.85		(28,379.01)		238,849.84	11,831.16
USDA Water & Wastewater Rev. Bonds, Series 2017	821,798.48		(75,993.50)		745,804.98	17,726.88
Direct Borrowings and Direct Placements:						
Financing (Capital Acquisition) Leases-Adina Systems	0.00	173,409.63	(26,323.07)		147,086.56	32,886.12
Financing (Capital Acquisition) Leases- Boring Machine	136,784.46		(29,147.65)		107,636.81	30,184.38
Total Debt	5,334,371.20	173,409.63	(366,741.03)	0.00	5,141,039.80	306,846.98
Accrued Compensated Absences - Business-Type Funds	60,753.38	103,383.39	(125,946.25)	99,982.21	138,172.73	109,500.00
Total Business-Type Activities	5,395,124.58	276,793.02	(492,687.28)	99,982.21	5,279,212.53	416,346.98
Total Primary Government	7,136,472.81	355,833.87	(904,157.33)	0.00	6,588,149.35	719,919.48

Liabilities payable at December 31, 2021 are comprised of the following:

General Obligation Bonds:

General Obligation Refunding Bonds, Series 2016

Maturity Date: December 15, 2026

Fixed Interest Rate: 2.09%

Payable from Third Penny Sales Tax Fund and

Pool Debt Service Fund

\$ 715,000.00

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Lease Purchase Agreement with Adani Systems, Inc. Maturity Date: February 19, 2026 Interest Rate: 4.50% Payable from General Fund	\$ 147,086.56
Lease Purchase Agreement with Kansas State Bank for 2019 Peterbilt Plow Truck Maturity Date: February 20, 2024 Interest Rate: 4.2% Payable from General Fund	\$ 84,641.93
Lease Purchase Agreement with Ditch Witch Financial for Ditch Witch JT10 Borer Maturity Date: June 1, 2025 Interest Rate: 3.50% Payable from Light Fund	\$ 107,636.81
Sales Tax Revenue Bonds, Series 2019 Maturity Date: December 1, 2039 Interest Rate: 3.0% Payable from Jail Fund	\$3,230,000.00
State Revolving Fund Loan #1 (SRF): SRF Loan, Series 2013 for Drinking Water Maturity Date: April 15, 2040 Fixed Interest Rate: 3.25% Payable from Water Fund	\$ 238,849.84
State Revolving Fund Loan #1 (SRF): SRF Loan, Series 2006 for Clean Water Maturity Date: April 15, 2028 Fixed Interest Rate: 3.25% Payable from Sewer Fund	\$ 434,616.05
State Revolving Fund Loan #2 (SRF): SRF Loan, Series 2012 for Clean Water Maturity Date: January 15, 2033 Fixed Interest Rate: 3.00% Payable from Sewer Fund	\$ 237,045.56
USDA Rural Development Water and Wastewater Revenue Bonds, Series 2017: Maturity Date: March 7, 2054 Interest Rate: 2.75% Payable from Sewer Fund	\$ 745,804.98

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

USDA Rural Development Sales Tax

Revenue Bonds, Series 2017:

Maturity Date: January 7, 2046

Interest Rate: 3.25%

Payable from General Fund \$ 305,445.72

Promissory Note:

Winner School District

Note for Office Building

Maturity Date: June 19, 2026

Interest Rate: 0.00%

Payable from General Fund \$ 75,000.00

Compensated Absences - Accrued Leave Balances of City Employees:

Payable from General Fund \$ 128,849.17

Payable from Jail Fund \$ 91,269.80

Payable from Light Fund \$ 24,359.85

Payable from Water Fund \$ 17,095.21

Payable from Sewer Fund \$ 5,447.87

The purchase price at the commencement of the financing (capital acquisition) leases were:

Principal \$ 493,332.55

Interest 51,218.68

TOTAL \$ 544,554.23

The Municipality's outstanding notes from direct borrowings and direct placements related to governmental activities of \$159,641.93 include the following provisions:

- a. The note payable includes provisions that in an event of default, outstanding amounts may become immediately due and payable.
- b. The financing capital acquisition leases include provisions that in an event of default, outstanding amounts may become immediately due and payable and may also require the surrender of equipment collateralized. Collateralized equipment on the financing capital acquisition lease includes the 2019 Peterbilt 348 Plow Truck.

The Municipality's outstanding notes from direct borrowings and direct placements related to business-type activities of \$254,723.37 include provisions that in an event of default, outstanding amounts may become immediately due and payable and may also require the surrender of equipment collateralized. The collateralized equipment on the financing capital acquisition lease includes the 2020 Ditch Witch JT10 and Adani Scanning System.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

The annual requirements to amortize all debt outstanding as of December 31, 2021, except for compensated absences, are as follows:

Annual Requirements to Maturity for Long-Term Debt
December 31, 2021

Year Ending December 31,	General Obligation Refunding Bonds Payable Series 2016		State Revolving Fund Loan Drinking Water #1		State Revolving Fund Loan Clean Water #1	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	135,000.00	14,943.50	11,831.16	5,274.76	56,224.48	13,444.40
2023	140,000.00	12,122.00	12,099.61	5,006.31	58,074.16	11,594.72
2024	145,000.00	9,196.00	12,374.17	4,731.75	59,984.70	9,684.18
2025	150,000.00	6,165.00	12,654.93	4,450.99	61,958.10	7,710.78
2026	145,000.00	3,030.50	12,942.08	4,163.84	63,996.41	5,672.47
2027-2031			69,250.92	16,278.68	134,378.20	4,959.56
2032-2036			77,472.38	8,057.22		
2037-2041			30,224.59	706.02		
Totals	715,000.00	45,457.00	238,849.84	48,669.57	434,616.05	53,066.11

Year Ending December 31,	State Revolving Fund Loan Clean Water #2		Financing (Capital Acquisition) Leases - Adina Systems		USDA Rural Development Sales Tax Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	17,993.96	6,910.20	32,886.12	5,813.88	8,511.02	9,800.98
2023	18,539.90	6,364.26	34,362.67	4,337.33	8,791.80	9,520.20
2024	19,102.37	5,801.79	35,905.50	2,794.50	9,081.82	9,230.18
2025	19,681.93	5,222.23	37,517.58	1,182.42	9,381.42	8,930.58
2026	20,279.06	4,625.10	6,414.69	35.30	9,690.90	8,621.10
2027-2031	111,005.98	13,514.82			53,465.98	38,094.02
2032-2036	30,442.36	687.84			62,886.18	28,673.82
2037-2041					73,966.08	17,593.92
2042-2046					69,670.52	4,800.83
Totals	237,045.56	43,126.24	147,086.56	14,163.43	305,445.72	135,265.63

Year Ending December 31,	USDA Rural Development Water & Wastewater Bonds		Notes Payable - Office Building		Sales Taxes Revenue Bonds Bonds Payable, Series 2019	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	17,726.88	19,365.12	15,000.00		140,000.00	89,852.50
2023	18,197.85	18,894.15	15,000.00		145,000.00	85,652.50
2024	18,681.34	18,410.66	15,000.00		150,000.00	81,302.50
2025	19,177.68	17,914.32	15,000.00		155,000.00	76,802.50
2026	19,687.18	17,404.82	15,000.00		160,000.00	72,152.50
2027-2031	106,565.23	78,894.77			850,000.00	306,450.00
2032-2036	121,493.88	63,966.12			975,000.00	186,330.00
2037-2041	138,513.87	46,946.13			655,000.00	39,750.00
2042-2046	157,918.20	27,541.80				
2047-2051	127,842.87	6,304.92				
Totals	745,804.98	315,642.81	75,000.00	0.00	3,230,000.00	938,292.50

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Annual Requirements to Maturity for Long-Term Debt
December 31, 2021
(Continued)

Year Ending December 31,	Financing (Capital Acquisition) Leases - 2019 Truck		Financing (Capital Acquisition) Leases - Boring Machine		TOTALS	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	27,061.48	3,554.96	30,184.38	3,286.14	492,419.48	172,246.44
2023	28,198.06	2,418.38	31,257.94	2,212.58	509,521.99	158,122.43
2024	29,382.39	1,234.05	32,369.68	1,100.84	526,881.97	143,486.45
2025			13,824.81	121.24	494,196.45	128,500.06
2026					453,010.32	115,705.63
2027-2031					1,324,666.31	458,191.85
2032-2036					1,267,294.80	287,715.00
2037-2041					897,704.54	104,996.07
2042-2046					227,588.72	32,342.63
2047-2051					127,842.87	6,304.92
Totals	84,641.93	7,207.39	107,636.81	6,720.80	6,321,127.45	1,607,611.48

9. OPERATING LEASES

The Municipality entered into operating leases for a JD Wheel Loader, JD Backhoe, and JD Track Loader. The minimum yearly lease payments are \$19,825.79, \$14,126.04, and \$8,400.00 and are paid from the General Fund, Water Fund, and Electric Fund, respectively.

The following are the minimum payments on the existing operating lease:

Year	JD Wheel Loader General Fund	JD Backhoe Water Fund	JD Track Loader Light Fund
2022	19,825.79	14,126.04	8,400.00
2023		14,126.04	8,400.00
2024		14,126.04	8,400.00

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

10. RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2021 was as follows:

Major Funds:

Equipment Repair/Replacement	\$ 1,380,000.00
Swimming Pool and Parks	75,349.51
24/7 Sobriety Services	47,338.90
911 Communications Fund	523,313.40
SDSR Pension	505,010.71
Debt Service	135,278.62
Permanently Restricted:	
Cemetery Perpetual Care Fund - Expendable	10,542.34
Cemetery Perpetual Care Fund - Nonexpendable	50,000.00

Total Restricted Net Position	\$ 2,726,833.48
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These balances are restricted due to federal grant and statutory requirements.

11. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2021 were as follows:

Transfers From:	Transfers to:			Total
	General Fund	Sewer Fund	911 Communications Fund	
Water Fund		194,721.00		194,721.00
Light Fund	1,000,000.00			1,000,000.00
Jail Fund			400,000.00	400,000.00
TOTAL	1,000,000.00	194,721.00	400,000.00	1,594,721.00

The Municipality typically budgets transfers to conduct the indispensable functions of the Municipality.

12. EXTRAORDINARY ITEM

The Municipality reported an extraordinary item of \$184,652.73 as a result of a settlement due to disputes taken to the Federal Energy Regulatory Commission (FERC) by Missouri River Energy Services (MRES) for transmission issues stemming from the entry of Corn Belt Power Cooperative (CBPC) in the Southwest Power Pool (SPP) as transmission owners. The Municipality, as a member of MRES and operating its own electric service, received an amount as a refund from MRES based on the excess transmission costs the Municipality incurred due to inappropriate rate treatment of the grandfathered agreements by CBPC and other issues.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

13. PRIOR PERIOD ADJUSTMENTS

The Municipality has restated the beginning net position to reflect an adjustment for capital asset adjustments and reclassifications. Additionally, some activity of the Jail Fund was accounted for in the General Fund. Adjustments reflect the reclassification of assets and liabilities to the Jail Fund. The reclassification as of January 1, 2021 is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Position January 1, 2021, as previously reported	\$ 7,347,134.96	\$ 22,177,193.44
Restatement:		
Move Prior A/R to Jail Fund	(311,198.42)	311,198.42
Move Cash Reserve to Jail Fund	(327,532.41)	327,532.41
Move Accrued Leave to Jail Fund	99,982.21	(99,982.21)
Capital Asset Reclassifications	152,835.98	(152,835.98)
Net Position January 1, 2021, as Restated	<u>\$ 6,961,222.32</u>	<u>\$ 22,563,106.08</u>

	<u>Business-Type Activities</u>		
	<u>Water Fund</u>	<u>Airport Fund</u>	<u>Jail Fund</u>
Net Position January 1, 2021, as previously reported	\$ 2,666,839.24	\$ 7,404,802.47	\$ 5,721,317.64
Restatement:			
Capital Asset Reclassifications	(49,971.60)	(71,389.54)	(31,474.84)
Move Prior A/R from General Fund			311,198.42
Move Cash Reserve from General Fund			327,532.41
Move Prior Accrued Leave from Governmental Activities			(99,982.21)
Net Position January 1, 2021, as Restated	<u>\$ 2,616,867.64</u>	<u>\$ 7,333,412.93</u>	<u>\$ 6,228,591.42</u>

14. PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2021, 2020, and 2019, were \$266,047.01, \$252,984.55, and \$240,285.14, respectively, equal to the required contributions each year.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

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

At June 30, 2021, SDRS is 105.53% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of the measurement period ending June 30, 2021 and reported by the Municipality as of December 31, 2021 are as follows:

Proportionate share of pension liability	\$ 26,637,990.44
Less proportionate share of net position restricted for pension benefits	<u>\$ 28,109,185.96</u>
Proportionate share of net pension liability (asset)	<u>\$ (1,471,195.52)</u>

At December 31, 2021, the Municipality reported a liability (asset) of \$(1,471,195.52) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the Municipality's proportion was 0.19210500%, which is an increase of 0.0002819% from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the Municipality recognized pension expense (reduction of pension expense) of (\$397,030.21). At December 31, 2021 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 52,819.75	\$ 3,857.17
Changes in assumption.	\$ 1,691,859.87	\$ 736,753.46
Net difference between projected and actual earnings on pension plan investments.		\$ 2,101,632.24
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	\$ 2,984.09	\$ 5,590.47
Municipality contributions subsequent to the measurement date.	<u>\$ 133,984.82</u>	
TOTAL	<u>\$ 1,881,648.53</u>	<u>\$ 2,847,833.34</u>

\$133,984.82 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Year Ended	
December 31:	
2022	\$ (273,215.59)
2023	(183,992.73)
2024	(51,729.50)
2025	<u>(591,231.81)</u>
TOTAL	<u>\$ (1,100,169.63)</u>

Actuarial Assumptions:

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

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%
Total	<u>100%</u>	

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Discount Rate:

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

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

The following presents the Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50 percent as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$2,382,231.57	\$ (1,471,195.52)	\$(4,599,281.31)

Pension Plan Fiduciary Net Position:

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

15. JOINT VENTURE

The Municipality participates in a joint venture, known as Tri-County Landfill, formed for the purpose of providing garbage dump area services to its member entities.

The members of the joint venture are as follows:

Alpena City	New Witten City
Aurora County	Oacoma City
Brule County	Plankinton City
Buffalo County	Presho City
Chamberlain City	Pukwana City
Colome City	Reliance City
Draper City	Stickney City
Jerauld County	Tripp County
Jones County	Vivian City
Kennebec City	Wessington Springs City
Kimball City	White Lake City
Lane City	White River City
Lyman County	Winner City
Mellette County	Wood City
Murdo City	

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

The joint venture's governing board is composed of 12 representatives. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget.

The Municipality retains no equity in the net position of the joint venture, but does have a responsibility to fund deficits of the joint venture. This funding would be shared equally by all members.

Separate financial statements for this joint venture are available from the Tri-County Landfill.

As of December 31, 2020, this joint venture had a total fund net position of \$2,145,395 and long-term debt of \$986,422. This is the most recent financial information the entity was able to provide.

16. SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2021, the Municipality was involved in the following litigation:

1. In September 2018, the Winner City Council approved a lawsuit to try to recover a racetrack. It is a civil property dispute between the Municipality and the current owners of the race track. Due to being at the discovery phase, it is unknown on the likelihood of an unfavorable outcome. The loss at this point is the cost of litigation.
2. Other matters of litigation are being handled by the Municipality's insurers and their selected attorneys. This includes one matter wherein the Municipality was named as a third-party defendant in a property damage claim. The attorney hired by the insurer continues to handle that litigation on behalf of the Municipality. They anticipate the case to go to trial sometime this calendar year.

Settled claims during the year included:

There was one civil rights claim settled in 2022 with a former employee. The settlement was treated by the insurer and by the Municipality as a resolution for "nuisance value". The settlement was paid in full by the insurer with no net cost to the Municipality of Winner.

17. RISK MANAGEMENT

The Municipality 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 December 31, 2021, the Municipality managed its risks as follows:

Employee Health Insurance:

The Municipality purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

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

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Worker's Compensation:

The Municipality joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. 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 lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality'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 Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$2,000,000 per individual per incident.

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

Unemployment Benefits:

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

During the year ended December 31, 2021, no claims were filed for these matters. At December 31, 2021 no claims had been filed and were outstanding. It is not anticipated that any additional material claims for these matters will be filed in the next fiscal year.

18. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through November 23, 2022, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF WINNER
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes	656,184.00	656,184.00	617,990.64	(38,193.36)
Airflight Property Tax	1,100.00	1,100.00	1,341.48	241.48
General Sales and Use Taxes	1,728,550.00	1,728,550.00	1,919,723.30	191,173.30
Penalties and Interest on Delinquent Taxes	1,700.00	1,700.00	2,609.46	909.46
Licenses and Permits	20,000.00	20,000.00	24,312.00	4,312.00
Intergovernmental Revenue:				
State Shared Revenue:				
Bank Franchise Tax	11,000.00	11,000.00	9,993.75	(1,006.25)
Prorate License Fees	5,800.00	5,800.00	12,199.16	6,399.16
Liquor Tax Reversion	19,000.00	19,000.00	21,273.58	2,273.58
Motor Vehicle Licenses	45,000.00	45,000.00	41,200.43	(3,799.57)
Local Government Highway and Bridge Fund	85,000.00	85,000.00	88,027.52	3,027.52
County Shared Revenue:				
County Wheel Tax	500.00	500.00	7,295.55	6,795.55
Charges for Goods and Services:				
General Government	60,000.00	60,000.00	79,284.69	19,284.69
Culture and Recreation	31,500.00	31,500.00	33,498.05	1,998.05
Cemetery	32,000.00	32,000.00	38,495.00	6,495.00
Fines and Forfeits:				
Court Fines and Costs	450.00	450.00	7,529.22	7,079.22
Miscellaneous Revenue:				
Investment Earnings	27,000.00	27,000.00	21,881.56	(5,118.44)
Rentals	59,400.00	59,400.00	57,878.50	(1,521.50)
Special Assessments	700.00	700.00	2,640.67	1,940.67
Other	19,000.00	19,000.00	21,617.84	2,617.84
Total Revenue	2,803,884.00	2,803,884.00	3,008,792.40	204,908.40
Expenditures:				
General Government:				
Contingency	300,000.00	300,000.00		
Amount Transferred		(166,300.00)		133,700.00
Executive	77,912.00	85,912.00	81,954.72	3,957.28
Elections	1,000.00	1,000.00	562.49	437.51
Financial Administration	430,106.00	505,406.00	502,427.65	2,978.35
Other	111,744.00	111,744.00	109,930.39	1,813.61
Total General Government	920,762.00	837,762.00	694,875.25	142,886.75

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF WINNER
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Expenditures (continued):				
Public Safety:				
Police	940,980.00	955,980.00	870,152.77	85,827.23
Fire	83,390.00	83,390.00	68,902.99	14,487.01
Total Public Safety	1,024,370.00	1,039,370.00	939,055.76	100,314.24
Public Works:				
Highways and Streets	1,426,929.00	1,426,929.00	1,182,964.73	243,964.27
Cemeteries	156,536.00	156,536.00	126,102.91	30,433.09
Total Public Works	1,583,465.00	1,583,465.00	1,309,067.64	274,397.36
Health and Welfare:				
Health	34,395.00	34,395.00	21,292.42	13,102.58
Total Health and Welfare	34,395.00	34,395.00	21,292.42	13,102.58
Culture and Recreation:				
Recreation	122,925.00	122,925.00	100,564.14	22,360.86
Parks	385,425.00	453,425.00	448,379.00	5,046.00
Total Culture and Recreation	508,350.00	576,350.00	548,943.14	27,406.86
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	226,614.00	226,614.00	173,549.56	53,064.44
Total Conservation and Development	226,614.00	226,614.00	173,549.56	53,064.44
Debt Service	114,203.00	114,203.00	114,200.20	2.80
Total Expenditures	4,412,159.00	4,412,159.00	3,800,983.97	611,175.03
Excess of Revenue Over (Under) Expenditures	(1,608,275.00)	(1,608,275.00)	(792,191.57)	816,083.43
Other Financing Sources (Uses):				
Transfers In	1,509,072.00	1,509,072.00	1,000,000.00	(509,072.00)
Total Other Financing Sources (Uses)	1,509,072.00	1,509,072.00	1,000,000.00	(509,072.00)
Net Change in Fund Balances	(99,203.00)	(99,203.00)	207,808.43	307,011.43
Fund Balance - Beginning	1,588,141.05	1,588,141.05	1,588,141.05	0.00
Adjustments:				
Move Prior A/R to Jail Fund	0.00	0.00	(311,198.42)	311,198.42
Move Cash Reserve to Jail Fund	0.00	0.00	(327,532.41)	327,532.41
Adjusted Fund Balance - Beginning	1,588,141.05	1,588,141.05	949,410.22	638,730.83
FUND BALANCE - ENDING	1,488,938.05	1,488,938.05	1,157,218.65	945,742.26

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF WINNER
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
LIQUOR, LODGING & DINING FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Taxes:				
General Sales and Use Taxes	110,000.00	110,000.00	139,048.92	29,048.92
Total Revenue	110,000.00	110,000.00	139,048.92	29,048.92
Expenditures:				
Debt Service	110,000.00	110,000.00	125,861.09	(15,861.09)
Total Expenditures	110,000.00	110,000.00	125,861.09	(15,861.09)
Net Change in Fund Balances	0.00	0.00	13,187.83	13,187.83
Fund Balance - Beginning	62,161.68	62,161.68	62,161.68	0.00
FUND BALANCE - ENDING	62,161.68	62,161.68	75,349.51	13,187.83

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF WINNER
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
24/7 SOBRIETY FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Revenues:				
Intergovernmental Revenue:				
State Grants	0.00	0.00	10,000.00	10,000.00
Charges for Goods and Services:				
Public Safety	38,000.00	38,000.00	22,748.50	(15,251.50)
Total Revenue	38,000.00	38,000.00	32,748.50	(5,251.50)
Expenditures:				
Public Safety:				
Police	38,000.00	38,000.00	29,889.48	8,110.52
Total Public Safety	38,000.00	38,000.00	29,889.48	8,110.52
Total Expenditures	38,000.00	38,000.00	29,889.48	8,110.52
Net Change in Fund Balances	0.00	0.00	2,859.02	2,859.02
Fund Balance - Beginning	44,479.88	44,479.88	44,479.88	0.00
FUND BALANCE - ENDING	44,479.88	44,479.88	47,338.90	2,859.02

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF WINNER
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
911 COMMUNICATIONS FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Intergovernmental Revenue:				
Federal Grants	0.00	105,331.56	0.00	(105,331.56)
State Shared Revenue:				
911 Remittances	330,500.00	330,500.00	322,862.13	(7,637.87)
Miscellaneous Revenue:				
Investment Earnings	2,400.00	2,400.00	8,883.98	6,483.98
Other	0.00	0.00	13,483.38	13,483.38
Total Revenue	332,900.00	438,231.56	345,229.49	(93,002.07)
Expenditures:				
Public Safety:				
Other Protection	739,718.00	845,049.56	787,145.01	57,904.55
Total Public Safety	739,718.00	845,049.56	787,145.01	57,904.55
Total Expenditures	739,718.00	845,049.56	787,145.01	57,904.55
Excess of Revenue Over (Under)				
Expenditures	(406,818.00)	(406,818.00)	(441,915.52)	(35,097.52)
Other Financing Sources (Uses):				
Transfers In	400,000.00	400,000.00	400,000.00	0.00
Total Other Financing Sources (Uses):	400,000.00	400,000.00	400,000.00	0.00
Net Change in Fund Balances	(6,818.00)	(6,818.00)	(41,915.52)	(35,097.52)
Fund Balance - Beginning	565,228.92	565,228.92	565,228.92	0.00
FUND BALANCE - ENDING	558,410.92	558,410.92	523,313.40	(35,097.52)

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATIONSchedules 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 Municipality follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpected appropriations lapse at year end unless encumbered by resolution of the Governing Board.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and special revenue funds.

The Municipality did not encumber any amounts at December 31, 2021.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States (USGAAP).

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 fire truck 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 fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

REQUIRED SUPPLEMENTARY INFORMATION**SCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY (ASSET)****South Dakota Retirement System***** Last Seven Years**

	District's proportion of the net pension liability/asset	District's proportionate share of net pension liability (asset)	District's covered- employee payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2021	0.1921050%	\$ (1,471,196)	\$ 3,752,458	39.21%	105.52%
2020	0.1918231%	\$ (8,331)	\$ 3,583,228	0.23%	100.04%
2019	0.1907278%	\$ (20,212)	\$ 3,455,785	0.58%	100.09%
2018	0.1930680%	\$ (4,503)	\$ 3,302,250	0.14%	100.02%
2017	0.1841410%	\$ (16,711)	\$ 3,195,036	0.52%	100.10%
2016	0.1831219%	\$ 618,568	\$ 2,847,896	21.72%	96.89%
2015	0.1610902%	\$ (683,230)	\$ 2,642,792	25.85%	104.10%

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

South Dakota Retirement System

* Last Seven Years

	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2021	\$ 266,047	\$ 266,047	\$ -	\$ 3,846,179	6.92%
2020	\$ 252,985	\$ 252,985	\$ -	\$ 3,595,204	7.04%
2019	\$ 240,285	\$ 240,285	\$ -	\$ 3,407,683	7.05%
2018	\$ 253,938	\$ 253,938	\$ -	\$ 3,609,675	7.03%
2017	\$ 234,433	\$ 234,433	\$ -	\$ 3,202,757	7.32%
2016	\$ 206,645	\$ 206,645	\$ -	\$ 2,944,214	7.02%
2015	\$ 197,220	\$ 197,220	\$ -	\$ 2,814,928	7.01%

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

**Notes to Required Supplementary Information
for the Year Ended December 31, 2021**
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions.

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

Actuarial Method Changes

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