

MUNICIPALITY OF WINNER
WINNER, SOUTH DAKOTA

AUDIT REPORT

FOR THE YEAR JANUARY 1, 2023 TO DECEMBER 31, 2023

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF WINNER

MUNICIPAL OFFICIALS
DECEMBER 31, 2023

MAYOR:

Jody Brozik

GOVERNING BOARD:

Austin Klundt, President
Joe Hockett, Vice-President
Jeremy Clay
Brad Schramm
Justin Schuyler
Ron Sprengle

FINANCE OFFICER:

Chandra Phillips

ATTORNEY:

Paul Jensen

Schoenfish & Co., Inc.

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

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, 2023, 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 July 31, 2025.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 2023-001 and item 2023-002 to be material weaknesses.

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, and contracts, noncompliance with which could have a direct and material effect on financial statements. However, providing an opinion on compliance with those provisions was not an

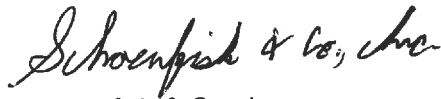
objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Municipality's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Municipality's responses to the findings identified in our audit. The Municipality's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The Municipality's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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
July 31, 2025

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2022-001:

Material weaknesses were noted in internal accounting control and record keeping resulting in diminished assurance that transactions were properly executed and recorded and that assets were properly safeguarded. The comment has not been corrected and is restated as current audit finding number 2023-001.

Finding Number 2022-001:

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 2023-002.

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SCHEDULE OF CURRENT AUDIT FINDINGSCURRENT OTHER AUDIT FINDINGS:Internal Control – Related Findings – Material Weaknesses:Finding Number 2023-001:Condition:

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

Criteria:

Proper segregation of duties results in increased reliability of reported financial data. Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets through the separation of key accounting and physical control functions.

The AICPA states that, "Segregation of Duties (SOD) is a basic building block of sustainable risk management and internal controls for a business. The principle of SOD is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department. Without this separation in key processes, fraud and error risks are far less manageable."

Cause of Condition:

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 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.

Potential Effect of Condition:

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

Recommendation:

1. We recommend the Municipality of Winner officials be cognizant of this lack of segregation of duties for revenues and attempt to develop policies and provide compensating internal controls whenever, and wherever, possible and practical. In addition, we recommend that all necessary accounting records be established and properly maintained to provide some compensation for lack of proper segregation of duties.

Client's Response:

The Municipality of Winner Mayor, Brad Schramm, is the contact person responsible for the response for this comment. This comment is due to the size of the Municipality of Winner, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are attempting to develop policies and to provide compensating internal controls.

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SCHEDULE OF CURRENT AUDIT FINDINGS
(Continued)

Finding Number 2023-002:

Condition:

Material weaknesses were noted in internal accounting control and record keeping resulting in diminished assurance that transactions were properly executed and recorded and that assets were properly safeguarded. This is a continuing audit comment since 2013.

Criteria:

Proper preparation of municipal records results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Cause of Condition:

Material weaknesses were noted in internal accounting control and record keeping resulting in diminished assurance that transactions were properly executed and recorded and that assets were properly safeguarded. The following significant errors and omissions were noted:

- a. Capital assets were not adjusted at year end to account for disposals, additions, and construction in progress.
- b. Assets purchased with a direct borrowing lease and right-to-use lease were not recorded in the depreciation schedule.
- c. Long-term liabilities were not adjusted at year end to reflect actual balances outstanding.
- d. Outstanding taxes receivable were not reconciled with the county auditor and not adjusted at year end.
- e. Special assessment receivables were not reconciled with the county auditor and not adjusted at year end.
- f. Inventory amounts were not adjusted at year end to match inventory listing.
- g. Account and benefit payables were not reconciled and adjusted at year end.
- h. Bad debts previously written off and collected were recorded to a bad debt receivable account as opposed to a repaid bad debt revenue account.
- i. The old billed receivables and new billed receivables did not match in conversion to updated software. The variance is \$73,187.38 and for which a reason could not be documented other than a change in how receivables were tracked.
- j. Accounts receivable were not recorded and posted in the proper funds in which they were accrued and received.
- k. Unbilled receivables, other than for prisoner care, were not consistently recorded and adjusted. The Municipality needs to consistently record accruals for services rendered to ensure proper cutoff and matching of revenue and expenditures.
- l. Proper posting dates were not used when recording accruals, resulting in improper cutoffs.
- m. Duplicate receipts were not sufficiently detailed. Numerous errors and improper postings in the cash receipts journal was noted.
- n. The Municipality did not record all of the transactions each month for the Winner Police Department Trust Fund.
- o. The Municipality had \$46,729.71 in unobligated, unspent CLFRF funds at 12/31/23. Under the provisions of the grant, all funds were to be obligated by 12/31/24.

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SCHEDULE OF CURRENT AUDIT FINDINGS
(Continued)

SDCL 9-14-18 states that the finance officer "shall keep regular books of account in which shall be entered all indebtedness of the Municipality, and which shall at all times show the financial condition of the Municipality, the amount of bonds, warrants, certificates, or other evidences of indebtedness issued by the governing body, and the amounts of all bonds, warrants, certificates, or other evidences of indebtedness which have been redeemed and the amount of each outstanding."

SDCL 9-14-19 states that the finance officer "shall supervise the accounting system for all departments and offices of the Municipality in accordance with the recommendations of the Department of Legislative Audit."

Potential Effect of Condition:

As a result, inaccurate and incomplete information is being presented to the users of these financial statements such that there is more than remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the Municipality's internal control.

Recommendation:

2. We recommend future annual financial statements be completely and accurately prepared in accordance with generally accepted accounting principles and that all financial information is recorded in a timely manner.

Client's Response:

The Municipality of Winner Mayor, Brad Schramm, is the contact person responsible for the response for this comment. We will attempt to be more accurate and complete when preparing the financial statements and obtain sufficient expertise to do so.

CLOSING CONFERENCE

The audit was discussed with the officials during the course of the audit with the mayor and the finance officer at the conclusion of the audit.

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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, 2023, 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, 2023, 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*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 GAAS, 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 July 31, 2025, 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.

Schoenfish & Co., Inc.

Schoenfish & Co., Inc.
Certified Public Accountants
July 31, 2025

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MUNICIPALITY OF WINNER
STATEMENT OF NET POSITION
December 31, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	2,320,941.66	6,425,682.59	8,746,624.25
Accounts Receivable, Net	291,199.09	868,660.33	1,159,859.42
Inventories	82,460.59	538,428.99	620,889.58
Restricted Assets:			
Cash and Cash Equivalents		1,250.00	1,250.00
Net Pension Asset	6,660.69	11,163.36	17,824.05
Capital Assets:			
Land and Construction Work in Progress	38,757.00	1,105,856.05	1,144,613.05
Other Capital Assets, Net of Depreciation	7,814,946.07	23,043,460.22	30,858,406.29
TOTAL ASSETS	10,554,965.10	31,994,501.54	42,549,466.64
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	523,022.92	876,588.87	1,399,611.79
TOTAL DEFERRED OUTFLOWS OF RESOURCES	523,022.92	876,588.87	1,399,611.79
LIABILITIES :			
Unearned Revenue		46,729.71	46,729.71
Other Current Liabilities	135.73	170,435.00	170,570.73
Noncurrent Liabilities:			
Due Within One Year	317,486.53	449,204.23	766,690.76
Due in More than One Year	671,598.96	4,529,466.71	5,201,065.67
TOTAL LIABILITIES	989,221.22	5,195,835.65	6,185,056.87
DEFERRED INFLOWS OF RESOURCES:			
Pension Related Deferred Inflows	332,940.43	558,009.72	890,950.15
TOTAL DEFERRED INFLOWS OF RESOURCES	332,940.43	558,009.72	890,950.15
NET POSITION:			
Net Investment in Capital Assets	6,991,357.96	19,314,172.31	26,305,530.27
Restricted for:			
911 Communications Purposes	763,615.26		763,615.26
Debt Service Purposes	21,245.87	138,764.00	160,009.87
SDRS Pension Purposes	196,743.18	329,742.51	526,485.69
Swimming Pool and Park Purposes	184,529.53		184,529.53
24/7 Sobriety Purposes	34,814.77		34,814.77
Equipment Repair and/or Replacement		805,000.00	805,000.00
Permanently Restricted Purposes:			
Cemetery Perpetual Care Fund:			
Expendable	5,185.10		5,185.10
Non-Expendable	50,000.00		50,000.00
Unrestricted (Deficit)	1,508,334.70	6,529,566.22	8,037,900.92
TOTAL NET POSITION	9,755,826.37	27,117,245.04	36,873,071.41

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, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities Total
Primary Government:						
General Government	738,562.87	141,501.54			(597,061.33)	(597,061.33)
Public Safety	1,732,227.32	25,561.53	345,962.32		(1,360,703.47)	(1,360,703.47)
Public Works	1,306,756.75	56,434.12	193,099.13		(1,057,223.50)	(1,057,223.50)
Health and Welfare	5,782.48				(5,782.48)	(5,782.48)
Culture and Recreation	633,409.33	38,301.19			(595,108.14)	(595,108.14)
Conservation and Development	184,970.32				(184,970.32)	(184,970.32)
*Interest on Long-term Debt	27,764.28				(27,764.28)	(27,764.28)
Total Governmental Activities	4,629,473.35	261,798.38	539,061.45	0.00	(3,828,613.52)	(3,828,613.52)
Business-type Activities:						
Water	743,682.78	706,664.56	7,338.31	547,015.86	517,335.95	517,335.95
Sewer	471,223.68	484,396.83	1,740.69		14,913.84	14,913.84
Light	2,889,569.80	4,237,316.33	10,324.74		1,358,071.27	1,358,071.27
Sanitation	752,394.04	717,583.28	7,403.06		(27,407.70)	(27,407.70)
Airport	315,928.85	40,314.46	459.00	18,477.02	(256,678.37)	(256,678.37)
Jail	4,212,752.57	5,161,630.34			948,877.77	948,877.77
Total Business-type Activities	9,385,551.72	11,347,905.80	27,265.80	565,492.88	2,555,112.76	2,555,112.76
Total Primary Government	14,015,025.07	11,609,704.18	566,327.25	565,492.88	(3,828,613.52)	(1,273,500.76)
General Revenues:						
Taxes:						
Property Taxes					689,905.61	689,905.61
Sales Taxes					2,196,757.59	2,196,757.59
State Shared Revenues					34,190.62	34,190.62
Unrestricted Investment Earnings					50,173.04	161,336.44
Miscellaneous Revenue					17,578.54	20,854.29
Transfers					1,498,506.00	0.00
Total General Revenues and Transfers					4,487,111.40	3,103,044.55
Change in Net Position					658,497.88	1,829,543.79
Net Position - Beginning					9,097,328.49	35,043,527.62
NET POSITION - ENDING					9,755,826.37	36,873,071.41

* 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, 2023

	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	1,284,050.18	168,875.72	34,814.77	756,830.02	21,245.87	55,125.10	2,320,941.66
Taxes Receivable--Delinquent	48,104.42				1,738.36		49,842.78
Accounts Receivable, Net	22,350.08			7,489.20		60.00	29,899.28
Special Assessments Receivable--Delinquent	16,535.04						16,535.04
Due from State Government	179,268.18	15,653.81					194,921.99
Inventory of Supplies	82,460.59						82,460.59
TOTAL ASSETS	1,632,768.49	184,529.53	34,814.77	764,319.22	22,984.23	55,185.10	2,694,601.34
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:							
Liabilities:							
Accrued Taxes Payable	(568.23)			703.96			135.73
Total Liabilities	(568.23)	0.00	0.00	703.96	0.00	0.00	135.73
Deferred Inflows of Resources:							
Unavailable Revenue - Property Taxes	48,104.42				1,738.36		49,842.78
Unavailable Revenue - Special Assessments	16,535.04						16,535.04
Total Deferred Inflows of Resources	64,639.46	0.00	0.00	0.00	1,738.36	0.00	66,377.82
Fund Balances:							
Nonspendable for Inventory	82,460.59						82,460.59
Nonspendable for Cemetery Perpetual Care						50,000.00	50,000.00
Restricted for Swimming Pool & Parks		184,529.53					184,529.53
Restricted for 24/7 Sobriety			34,814.77				34,814.77
Restricted for 911 Communications				763,615.26			763,615.26
Restricted for Debt Service					21,245.87		21,245.87
Restricted for Cemetery Perpetual Care						5,185.10	5,185.10
Unassigned	1,486,236.67						1,486,236.67
Total Fund Balances	1,568,697.26	184,529.53	34,814.77	763,615.26	21,245.87	55,185.10	2,628,087.79
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	1,632,768.49	184,529.53	34,814.77	764,319.22	22,984.23	55,185.10	2,694,601.34

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, 2023

Total Fund Balances - Governmental Funds	<u>2,628,087.79</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>6,660.69</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>7,853,703.07</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>523,022.92</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>(989,085.49)</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>66,377.82</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(332,940.43)</u>
Net Position - Governmental Activities	<u><u>9,755,826.37</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, 2023

	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	628,150.32				59,319.74		687,470.06
General Sales and Use Taxes	2,048,437.47	148,320.12					2,196,757.59
Penalties and Interest on Delinquent Taxes	3,134.82				254.49		3,389.31
Licenses and Permits	30,004.84						30,004.84
Intergovernmental Revenue:							
Federal Grants	37,103.31						37,103.31
State Shared Revenue:							
Bank Franchise Tax	14,112.54						14,112.54
Prorate License Fees	13,195.45						13,195.45
Liquor Tax Reversion	20,078.08						20,078.08
Motor Vehicle Licenses	44,265.62						44,265.62
Local Government Highway and Bridge Fund	91,239.20						91,239.20
911 Remittances				345,962.32			345,962.32
County Shared Revenue:							
County Wheel Tax	7,295.55						7,295.55
Charges for Goods and Services:							
General Government	39,415.70						39,415.70
Public Safety			23,965.50				23,965.50
Highways and Streets	11,371.12						11,371.12
Culture and Recreation	38,301.19						38,301.19
Cemetery	26,463.00				2,040.00		28,503.00
Fines and Forfeits:							
Court Fines and Costs	1,596.03						1,596.03
Miscellaneous Revenue:							
Investment Earnings	44,209.84			5,304.42		658.78	50,173.04
Rentals	88,641.00						88,641.00
Special Assessments	511.20						511.20
Other	24,046.88			271.82			24,318.70
Total Revenue	3,211,573.16	148,320.12	23,965.50	351,538.56	59,574.23	2,698.78	3,797,670.35

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, 2023

	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	61,788.50						61,788.50
Elections	808.65						808.65
Financial Administration	484,885.11						484,885.11
Other	168,225.92						168,225.92
Total General Government	715,708.18	0.00	0.00	0.00	0.00	0.00	715,708.18
Public Safety:							
Police	863,851.90		29,314.26				893,166.16
Fire	62,301.06						62,301.06
Other Protection				679,111.94			679,111.94
Total Public Safety	926,152.96	0.00	29,314.26	679,111.94	0.00	0.00	1,634,579.16
Public Works:							
Highways and Streets	585,162.66						585,162.66
Cemeteries	125,504.19						125,504.19
Total Public Works	710,666.85	0.00	0.00	0.00	0.00	0.00	710,666.85
Health and Welfare:							
Health	4,692.46						4,692.46
Total Health and Welfare	4,692.46	0.00	0.00	0.00	0.00	0.00	4,692.46
Culture and Recreation:							
Recreation	178,368.17						178,368.17
Parks	327,712.95						327,712.95
Total Culture and Recreation	506,081.12	0.00	0.00	0.00	0.00	0.00	506,081.12
Conservation and Development:							
Economic Development and Assistance	182,173.49						182,173.49
Total Conservation and Development	182,173.49	0.00	0.00	0.00	0.00	0.00	182,173.49
Debt Service	85,792.24	92,122.00	0.00	0.00	60,000.00	0.00	237,914.24
Capital Outlay	1,102,130.51	0.00	0.00	0.00	0.00	0.00	1,102,130.51
Total Expenditures	4,233,397.81	92,122.00	29,314.26	679,111.94	60,000.00	0.00	5,093,946.01
Excess of Revenue Over (Under) Expenditures	(1,021,824.65)	56,198.12	(5,348.76)	(327,573.38)	(425.77)	2,698.78	(1,296,275.66)

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, 2023

	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
Other Financing Sources (Uses):							
Transfers In	1,000,000.00			498,506.00			1,498,506.00
Total Other Financing Sources (Uses)	1,000,000.00	0.00	0.00	498,506.00	0.00	0.00	1,498,506.00
Net Change in Fund Balances	(21,824.65)	56,198.12	(5,348.76)	170,932.62	(425.77)	2,698.78	202,230.34
Fund Balance - Beginning	1,590,521.91	128,331.41	40,163.53	592,682.64	21,671.64	52,486.32	2,425,857.45
FUND BALANCE - ENDING	1,568,697.26	184,529.53	34,814.77	763,615.26	21,245.87	55,185.10	2,628,087.79

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, 2023

Net Change in Fund Balances - Total Governmental Funds	<u>202,230.34</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>1,102,130.51</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>(795,752.66)</u>
Payment of principal on long-term liabilities is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	<u>210,149.96</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>(953.76)</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>(7,251.36)</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>(11,755.59)</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>(45,058.51)</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>4,758.95</u>
Change in Net Position of Governmental Activities	<u><u>658,497.88</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, 2023

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Light Fund	Sanitation Fund	Airport Fund	Jail Fund
ASSETS:						
Current Assets:						
Cash and Cash Equivalents	747,836.95	806,668.83	3,134,076.03	81,748.97	214,699.23	1,440,652.58
Accounts Receivable, Net	53,985.24	41,362.67	290,759.44	67,334.38		415,218.60
Inventory of Supplies	76,567.98	18,559.31	443,301.70			
Total Current Assets	878,390.17	866,590.81	3,868,137.17	149,083.35	214,699.23	1,855,871.18
Noncurrent Assets:						
Restricted Cash and Cash Equivalents						
Net Pension Asset	693.87	199.24	1,975.37	373.29		1,250.00
Capital Assets:						
Land	112,800.00	35,971.65	32,667.50	675,000.00	246,866.90	2,550.00
Buildings	579,365.30	50,000.00	87,998.00	5,000.00	1,457,932.73	9,348,687.37
Improvements Other Than Buildings	4,688,770.07	7,613,281.04	4,246,028.80	69,400.37	8,114,294.24	3,227.37
Machinery and Equipment	444,366.81	209,366.07	1,675,681.88	655,956.48	114,325.00	1,212,600.95
Less: Accumulated Depreciation	(2,470,250.03)	(4,382,238.98)	(4,322,515.70)	(238,943.90)	(3,277,027.31)	(2,927,349.82)
Intangible Right-to-use Asset	40,961.20		144,737.46			
Less: Accumulated Amortization	(27,307.46)		(72,887.72)			
Total Noncurrent Assets	3,369,399.76	3,526,579.02	1,793,685.59	1,166,786.24	6,656,391.56	7,648,887.46
TOTAL ASSETS	4,247,789.93	4,393,169.83	5,661,822.76	1,315,869.59	6,871,090.79	9,504,758.64
DEFERRED OUTFLOWS OF RESOURCES:						
Pension Related Deferred Outflows	54,485.99	15,644.96	155,113.32	29,312.01		622,032.59
TOTAL DEFERRED OUTFLOWS OF RESOURCES	54,485.99	15,644.96	155,113.32	29,312.01	0.00	622,032.59
						876,588.87

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

MUNICIPALITY OF WINNER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2023

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Light Fund	Sanitation Fund	Airport Fund	Jail Fund
LIABILITIES:						
Current Liabilities:						
Notes Payable - Current			44,052.61	20,000.00		35,905.50
Due to State Government			16,747.50	2,894.99		
Accrued Taxes Payable	1,856.81	20.64	437.03	44.88		
Customer Deposits	42,648.00		99,364.21			
Unearned Revenue	46,729.71					
Bonds Payable Current:						
Revenue	12,374.17	97,768.41				
Right-to-use Liability-Current			39,103.54			150,000.00
Accrued Leave Payable - Current	5,000.00	4,500.00	12,500.00	500.00		
Total Current Liabilities	108,608.69	102,289.05	212,204.89	23,439.87	0.00	219,826.44
Noncurrent Liabilities:						
Bonds Payable:						
Revenue	202,544.90	1,132,939.79				
Accrued Leave Payable	10,333.39	7,900.65	22,961.57	1,139.78		2,795,000.00
Right-to-use Liability			37,679.74			51,191.59
Other Long-Term Liabilities			43,843.03	180,000.00		
Total Noncurrent Liabilities	212,878.29	1,140,840.44	104,484.34	181,139.78	0.00	43,932.27
TOTAL LIABILITIES	321,486.98	1,243,129.49	316,689.23	204,579.65	0.00	2,890,123.86
						4,529,466.71
						5,195,835.65
DEFERRED INFLOWS OF RESOURCES:						
Pension Related Deferred Inflows	34,684.12	9,959.10	98,740.40	18,659.13		395,966.97
TOTAL DEFERRED INFLOWS OF RESOURCES	34,684.12	9,959.10	98,740.40	18,659.13	0.00	395,966.97
						558,009.72
						558,009.72
NET POSITION:						
Net Investment in Capital Assets	3,153,786.82	2,295,671.58	1,627,031.30	966,412.95	6,656,391.56	4,614,878.10
Restricted For:						
Revenue Bond Debt Service		138,764.00				
Equipment Repair and/or Replacement	402,500.00	402,500.00				
SDSR Pension Purposes	20,495.74	5,885.10	58,348.29	11,026.17		233,987.21
Unrestricted Net Position	369,322.26	312,905.52	3,716,126.86	144,503.70	214,699.23	1,772,008.65
TOTAL NET POSITION	3,946,104.82	3,155,726.20	5,401,506.45	1,121,942.82	6,871,090.79	6,620,873.96
						27,117,245.04

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, 2023

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Light Fund	Sanitation Fund	Airport Fund	Jail Fund
Operating Revenue:						
Charges for Goods and Services	683,044.86	414,261.83	4,237,316.33	717,583.28		5,161,630.34
Revenue Dedicated to Servicing Debt	23,619.70	70,135.00				
Total Operating Revenue	706,664.56	484,396.83	4,237,316.33	717,583.28	0.00	5,161,630.34
Operating Expenses:						
Personal Services	261,023.93	76,208.45	709,156.73	141,177.70		2,530,636.73
Other Current Expense	202,186.14	80,429.09	342,902.44	56,312.49	48,149.29	1,162,028.06
Materials (Cost of Goods Sold)			1,619,132.65	510,884.77		2,130,017.42
Depreciation	274,988.71	277,733.62	208,327.37	44,019.08	267,779.56	430,516.68
Total Operating Expenses	738,198.78	434,371.16	2,879,519.19	752,394.04	315,928.85	4,123,181.47
Operating Income (Loss)	(31,534.22)	50,025.67	1,357,797.14	(34,810.76)	(315,928.85)	1,038,448.87
Nonoperating Revenue (Expense):						
Operating Grants	7,338.31	1,740.69	10,324.74	7,403.06	459.00	27,265.80
Investment Earnings	19,364.46	10,941.35	57,019.73	2,379.45		21,458.41
Rental Revenue					40,314.46	40,314.46
Interest Expense and Fiscal Charges	(5,484.00)	(36,852.52)	(10,050.61)		3,275.75	(89,571.10)
Other						
Total Nonoperating Revenue (Expense)	21,218.77	(24,170.48)	57,293.86	9,782.51	44,049.21	(68,112.69)
Income (Loss) Before Contributions and Transfers	(10,315.45)	25,855.19	1,415,091.00	(25,028.25)	(271,879.64)	970,336.18
Capital Contributions						
Transfers In	547,015.86			800,000.00	18,477.02	565,492.88
Transfers Out	(100,000.00)		(850,000.00)			(1,348,506.00)
Change in Net Position	436,700.41	25,855.19	565,091.00	774,971.75	(253,402.62)	(378,169.82)
Net Position - Beginning	3,509,404.41	3,129,871.01	4,836,415.45	346,971.07	7,124,493.41	6,999,043.78
NET POSITION - ENDING	3,946,104.82	3,155,726.20	5,401,506.45	1,121,942.82	6,871,090.79	6,620,873.96
						27,117,245.04

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, 2023

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Light Fund	Sanitation Fund	Airport Fund	Jail Fund
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash Receipts from Customers	704,383.99	474,073.04	4,321,072.67	713,061.64		5,192,159.13
Cash Payments to Employees for Services	(256,940.38)	(69,889.31)	(699,866.08)	(150,519.21)		(2,501,340.60)
Cash Payments to Suppliers of Goods and Services	(184,330.93)	(87,185.18)	(1,867,325.45)	(613,796.18)	(48,149.29)	(1,168,735.56)
Net Cash Provided (Used) by Operating Activities	263,112.68	316,998.55	1,753,881.14	(51,253.75)	(48,149.29)	1,522,082.97
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating Grants	7,338.31	1,740.69	10,324.74	7,403.06	459.00	
Transfers In				800,000.00		
Transfers Out	(100,000.00)		(850,000.00)			(1,348,506.00)
Net Cash Provided (Used) by Noncapital Financing Activities	(92,661.69)	1,740.69	(839,675.26)	807,403.06	459.00	(1,348,506.00)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Proceeds from Capital Debt				650,000.00		
Capital Contributions	444,881.02				27,745.10	
Purchase of Capital Assets	(685,376.07)	(245,174.51)	(246,986.17)	(1,183,011.48)		(418,765.05)
Principal Paid on Capital Debt	(25,747.96)	(94,812.52)	(70,631.06)	(450,000.00)		(176,556.40)
Interest Paid on Capital Debt	(5,484.00)	(36,852.52)	(10,050.61)			(89,571.10)
Other Receipts (Payments)					43,590.21	
Net Cash Provided (Used) by Capital and Related Financing Activities	(271,727.01)	(376,839.55)	(327,667.84)	(983,011.48)	71,335.31	(684,892.55)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Cash Received for Interest	19,364.46	10,941.35	57,019.73	2,379.45		21,458.41
Net Cash Provided (Used) by Investing Activities	19,364.46	10,941.35	57,019.73	2,379.45	0.00	21,458.41
Net Increase (Decrease) in Cash and Cash Equivalents	(81,911.56)	(47,158.96)	643,557.77	(224,482.72)	23,645.02	(489,857.17)
Balances - Beginning	829,748.51	853,827.79	2,490,518.26	306,231.69	191,054.21	1,931,759.75
Balances - Ending	747,836.95	806,668.83	3,134,076.03	81,748.97	214,699.23	1,441,902.58

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, 2023

	Enterprise Funds					Totals
	Water Fund	Sewer Fund	Light Fund	Sanitation Fund	Airport Fund	Jail Fund
	(31,534.22)	50,025.67	1,357,797.14	(34,810.76)	(315,928.85)	1,038,448.87
	274,988.71	277,733.62	208,327.37	44,019.08	267,779.56	430,516.68
	(4,905.57)	(10,323.79)	80,597.91	(4,521.64)		29,278.79
	17,961.86	(6,756.09)	98,058.90			109,264.67
	6,122.57	10,398.06	(2,879.36)	(29,312.01)		114,180.69
	(26.07)	87.71	(298.01)	(373.29)		190.25
	(106.65)		(3,349.26)	(46,598.92)		(6,707.50)
	1,856.81	20.64	437.03	44.88		5,170.94
	311.67	2,553.86	10,911.41	1,639.78		(14,112.11)
	(4,181.43)	(6,741.13)	1,119.58	18,659.13		(76,133.64)
	2,625.00		3,158.43			1,250.00
	263,112.68	316,998.55	1,753,881.14	(51,253.75)	(48,149.29)	1,522,082.97
						3,756,672.30

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
(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 Wages and Taxes Payable
(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, 2023**

	Custodial Funds
ASSETS:	
Cash and Cash Equivalents	<u>13,164.36</u>
TOTAL ASSETS	<u>13,164.36</u>
NET POSITION:	
Restricted for:	
Individuals, organizations, and other governments	<u>13,164.36</u>
TOTAL NET POSITION	<u><u>13,164.36</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, 2023

	Custodial Funds
ADDITIONS:	
Other Additions	<u>427,371.68</u>
Total Additions	<u>427,371.68</u>
DEDUCTIONS	
Other Deductions	<u>419,515.04</u>
Total Deductions	<u>419,515.04</u>
Change in Net Position	<u>7,856.64</u>
Net Position - Beginning	<u>5,307.72</u>
NET POSITION - ENDING	<u><u>13,164.36</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

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 are 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 funds, 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 fund types 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, 2023, 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 liabilities which are recognized when due.

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

d. Deposits and Investments:

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

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. 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 Financial 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, 2023 balance of governmental activity capital assets are all valued at original cost. The total December 31, 2023 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 not capitalized in accordance with USGAAP.

Depreciation/Amortization 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

NOTES TO THE FINANCIAL STATEMENTS
(continued)

allocation would be unduly complex, and which is reported as Unallocated Depreciation/Amortization, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation/amortization 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/amortization methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation/ Amortization 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. Intangible leased assets do not have a capitalization threshold, but the Municipality's policy is to amortize over the life of the lease.

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. Leases

Lessee:

The Municipality is a lessee for four noncancellable leases for equipment. The Municipality recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The Municipality recognizes lease liabilities that are deemed material.

At the commencement of a lease, the Municipality initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

The Municipality monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

g. 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, direct borrowings, right-to-use 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 liabilities is on the accrual basis, the same in the fund statements as in the government-wide statements.

h. 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:

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.

i. 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.

j. 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 or expenses.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

k. 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.

l. Equity Classifications:

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and 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 reported as Net Position – Restricted.

m. 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.

n. 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.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

- 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.

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

o. 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>12/31/23</u>
General Fund:	
<u>Activity</u>	
Recreation	7,124.17

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

NOTES TO THE FINANCIAL STATEMENTS
(continued)

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.

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, 2023, 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.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

4. RESTRICTED CASH AND INVESTMENTS

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

<u>Amount:</u>	<u>Purpose:</u>
\$ 1,250.00	Security for bail bonds

5. RECEIVABLES AND PAYABLES

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

6. 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.

7. PROPERTY TAXES

Property taxes attach as an enforceable lien on property, and become due and payable 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.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

8. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2023, is as follows:

	Balance 01/01/23	Increases	Decreases	Balance 12/31/23
Governmental Activities:				
Capital Assets, not being Depreciated/Amortized:				
Land	38,757.00			38,757.00
Total, not being Depreciated/Amortized	38,757.00	0.00	0.00	38,757.00
Capital Assets, being Depreciated/Amortized:				
Buildings	685,398.32	7,620.48		693,018.80
Improvements Other Than Buildings	18,803,361.49	930,116.56		19,733,478.05
Machinery & Equipment	3,662,549.15	164,393.47		3,826,942.62
Intangible Right-to-Use Equipment	99,844.10			99,844.10
Total, being Depreciated/Amortized	23,251,153.06	1,102,130.51	0.00	24,353,283.57
Less Accumulated Depreciation/Amortization for:				
Buildings	(223,131.64)	(26,626.13)		(249,757.77)
Improvements Other Than Buildings	(12,720,325.21)	(572,367.14)		(13,292,692.35)
Machinery & Equipment	(2,779,159.17)	(176,790.57)		(2,955,949.74)
Intangible Right-to-Use Equipment	(19,968.82)	(19,968.82)		(39,937.64)
Total Accumulated Depreciation/Amortization	(15,742,584.84)	(795,752.66)	0.00	(16,538,337.50)
Total Governmental Activities Capital Assets, being Depreciated/Amortized, net	7,508,568.22	306,377.85	0.00	7,814,946.07
Governmental Activity Capital Assets, Net	7,547,325.22	306,377.85	0.00	7,853,703.07

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	18,101.97
Public Safety	65,531.69
Public Works	593,074.90
Health and Welfare	1,090.02
Culture and Recreation	117,505.79
Conservation and Development	448.29
Total Depreciation/Amortization Expense - Governmental Activities	795,752.66

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

	Balance 01/01/2023	Increases	Decreases	Balance 12/31/2023
Primary Government:				
Business-Type Activities:				
Capital Assets,				
not being Depreciated/Amortized:				
Land	455,856.05	650,000.00		1,105,856.05
Construction Work in Progress	788,589.65	1,197,044.96	(1,985,634.61)	0.00
Total, not being Depreciated/Amortized	<u>1,244,445.70</u>	<u>1,847,044.96</u>	<u>(1,985,634.61)</u>	<u>1,105,856.05</u>
Capital Assets, being Depreciated/Amortized:				
Buildings	11,528,983.40			11,528,983.40
Improvements Other Than Buildings	22,914,711.55	1,820,290.34		24,735,001.89
Machinery & Equipment	3,214,684.60	1,097,612.59		4,312,297.19
Intangible Right-to-Use Equipment	185,698.66			185,698.66
Total, being Depreciated/Amortized	<u>37,844,078.21</u>	<u>2,917,902.93</u>	<u>0.00</u>	<u>40,761,981.14</u>
Less Accumulated Depreciation/Amortization for:				
Buildings	(2,879,876.37)	(406,562.85)		(3,286,439.22)
Improvements Other Than Buildings	(11,333,530.69)	(729,153.64)		(12,062,684.33)
Machinery & Equipment	(1,951,651.25)	(317,550.94)		(2,269,202.19)
Intangible Right-to-Use Equipment	(50,097.59)	(50,097.59)		(100,195.18)
Total Accumulated Depreciation/Amortization	<u>(16,215,155.90)</u>	<u>(1,503,365.02)</u>	<u>0.00</u>	<u>(17,718,520.92)</u>
Total Capital Assets,				
being Depreciated/Amortized, net	<u>21,628,922.31</u>	<u>1,414,537.91</u>	<u>0.00</u>	<u>23,043,460.22</u>
Business-Type Activity				
Capital Assets, Net	<u>22,873,368.01</u>	<u>3,261,582.87</u>	<u>(1,985,634.61)</u>	<u>24,149,316.27</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:

Water	274,988.71
Sewer	277,733.62
Light	208,327.37
Sanitation	44,019.08
Airport	267,779.56
Jail	430,516.68
Total Depreciation/Amortization Expense - Business-Type Activities	<u>1,503,365.02</u>

NOTES TO THE FINANCIAL STATEMENTS
(continued)

9. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
General Obligation Refunding Bonds-Series 2016	580,000.00		(140,000.00)	440,000.00	145,000.00
USDA Sales Tax Revenue Bonds, Series 2017	296,934.32		(8,792.16)	288,142.16	9,081.82
Direct Borrowing Note Payable	60,000.00		(15,000.00)	45,000.00	15,000.00
Direct Borrowing Lease Payable - 2019 Peterbilt Truck	57,580.45		(28,198.06)	29,382.39	29,382.39
Right-To-Use Lease Payable - 544P Wheel Loader	77,980.30		(18,159.74)	59,820.56	19,022.32
Total Debt	1,072,495.07	0.00	(210,149.96)	862,345.11	217,486.53
Accrued Compensated Absences - Governmental Funds	114,984.79	11,755.59		126,740.38	100,000.00
Total Governmental Activities	1,187,479.86	11,755.59	(210,149.96)	989,085.49	317,486.53
Business-Type Activities:					
Bonds Payable:					
Sales Tax Revenue Bonds, Series 2019	3,090,000.00		(145,000.00)	2,945,000.00	150,000.00
SRF Loan #1, Clean Water Series 2006	378,391.58		(58,074.16)	320,317.42	59,984.70
SRF Loan #2, Clean Water Series 2012	219,051.60		(18,539.90)	200,511.70	19,102.37
SRF Loan #1, Drinking Water Series 2013	227,018.68		(12,099.61)	214,919.07	12,374.17
USDA Water & Wastewater Rev. Bonds, Series 2017	728,077.54		(18,198.46)	709,879.08	18,681.34
Direct Borrowing Lease Payable - Potholer	48,164.86		(9,110.47)	39,054.39	11,777.06
Direct Borrowing Lease Payable - Adina Systems	111,394.17		(31,556.40)	79,837.77	35,905.50
Direct Borrowing Lease Payable - Boring Machine	77,452.43		(28,611.18)	48,841.25	32,275.55
Direct Borrowing Purchasing Agreement - Recycling	0.00	650,000.00	(450,000.00)	200,000.00	20,000.00
Right-To-use Lease Payable - JD 333 Compact Loader	15,957.43		(7,841.49)	8,115.94	8,115.94
Right-To-use Lease Payable - JD 315SL Backhoe	13,648.35		(13,648.35)	0.00	0.00
Right-To-Use Lease Payable - Altec Boom Truck	93,735.26		(25,067.92)	68,667.34	30,987.60
Total Debt	5,002,891.90	650,000.00	(817,747.94)	4,835,143.96	399,204.23
Accrued Compensated Absences - Business-Type Funds	142,222.37	1,304.61		143,526.98	50,000.00
Total Business-Type Activities	5,145,114.27	651,304.61	(817,747.94)	4,978,670.94	449,204.23
Total Primary Government	6,332,594.13	663,060.20	(1,027,897.90)	5,967,756.43	766,690.76

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Liabilities payable at December 31, 2023 are comprised of the following:

General Obligation Bonds:

General Obligation Refunding Bonds, Series 2016

Maturity Date: December 15, 2027

Fixed Interest Rate: 2.09%

Payable from Third Penny Sales Tax Fund and

Pool Debt Service Fund

\$ 440,000.00

Sales Tax Revenue Bonds, Series 2019

Maturity Date: December 1, 2039

Fixed Interest Rate: 3.0%

Payable from Jail Fund

\$2,945,000.00

USDA Rural Development Sales Tax

Revenue Bonds, Series 2017:

Maturity Date: January 7, 2047

Fixed Interest Rate: 3.25%

Payable from General Fund

\$ 288,142.16

State Revolving Fund Loan #1 (SRF):

SRF Loan, Series 2013 for Drinking Water

Maturity Date: July 15, 2038

Fixed Interest Rate: 3.25%

Payable from Water Fund

\$ 214,919.07

State Revolving Fund Loan #2 (SRF):

SRF Loan, Series 2006 for Clean Water

Maturity Date: April 15, 2028

Fixed Interest Rate: 3.25%

Payable from Sewer Fund

\$ 320,317.42

State Revolving Fund Loan #3 (SRF):

SRF Loan, Series 2012 for Clean Water

Maturity Date: January 15, 2033

Fixed Interest Rate: 3.00%

Payable from Sewer Fund

\$ 200,511.70

USDA Rural Development Water and

Wastewater Revenue Bonds, Series 2017:

Maturity Date: March 7, 2050

Fixed Interest Rate: 2.75%

Payable from Sewer Fund

\$ 709,879.08

Direct Borrowing Note Payable

Winner School District Note for Office Building

Maturity Date: June 19, 2026

Fixed Interest Rate: 0.00%

Payable from General Fund

\$ 45,000.00

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Direct Borrowing Lease Payable	
Kansas State Bank for 2019 Peterbilt Plow Truck	
Maturity Date: February 20, 2024	
Fixed Interest Rate: 4.2%	
Payable from General Fund	\$ 29,382.39
Direct Borrowing Lease Payable	
Ditch Witch Financial Services for Ditch Witch JT10 Borer	
Maturity Date: June 1, 2025	
Fixed Interest Rate: 3.50%	
Payable from Light Fund	\$ 48,841.25
Direct Borrowing Lease Payable	
Adani Systems, Inc. for Body Scanner	
Maturity Date: February 19, 2026	
Fixed Interest Rate: 4.40%	
Payable from Jail Fund	\$ 79,837.77
Direct Borrowing Lease Payable	
Ditch Witch Financial Services for Altec Digger	
Maturity Date: February 19, 2027	
Fixed Interest Rate: 8.99%	
Payable from Electric Fund	\$ 39,054.39
Direct Borrowing Purchase Agreement	
Tripp County for Recycling Center	
Maturity Date: May 1, 2033	
Fixed Interest Rate: 0.00%	
Payable from Sanitation Fund	\$ 200,000.00

The Municipality's outstanding notes from direct borrowings and direct placements related to governmental activities of \$74,382.39 include provisions that in an event of default the following may occur: a) all payments may become immediately due and payable, b) repossess the equipment collateralized, c) cover all legal and other costs incurred. Collateralized equipment on the direct borrowing financing agreements includes the 2019 Peterbilt 348 Plow Truck and the Administration Building.

The Municipality's outstanding notes from direct borrowings and direct placements related to business-type activities of \$367,733.41 include provisions that in an event of default the following may occur: a) all payments may become immediately due and payable, b) repossess the equipment collateralized, c) repossess and sell equipment to cover all costs incurred and payable, and if sale doesn't cover all outstanding balances take any other remedy available by law. Collateralized equipment on the direct borrowing financing agreements includes the Adani Systems Body Scanner, 2021 DitchWitch HX30-1 Vacuum Excavator, 2022 DitchWitch VT 12 Vacuum Trailer, 2020 DitchWitch JT10 Directional Dr and 2020 TowMaster T-12D Trailer.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Right-To-Use Lease Payable – JD 333 Compact Loader

The Municipality entered into an agreement for a 333G Compact Track Loader with JD Financial. The lease is non-cancelable and in the event of default: 1) equipment may need to be returned at the Municipality's expense and pay liquidated damages for loss of bargain and not as a penalty 2) if equipment is returned, the sum of a) all lease payments are then due and payable; b) present value of remaining lease payments; c) cost to repair and refurbish equipment; d) unamortized amount of initial direct costs of originating and administering the lease. 3) charge expenses incurred in connection with enforcement of remedies; 4) terminate rights under this lease and any other agreement with JD Financial. \$ 8,115.94

Right-To-Use Lease Payable – JD 544P Wheel Loader

The Municipality entered into an agreement for a JD 544P Wheel Loader with JD Financial. The lease is non-cancelable with an exception for non-appropriation of funds. \$ 59,820.56

Right-To-Use Lease Payable – Altec Boom Truck

The Municipality entered into an agreement for an Altec Boom Truck with Altec Capital. The lease is non-cancelable with an exception for non-appropriation of funds. In the event of default a) equipment may need to be returned at the Municipality's expense and pay 1) all past due amounts and 2) all unpaid rent for the balance of the term of lease discounted at a rate of 2.50% per annum plus 3) the residual amount discounted at the rate of 2.50% \$ 68,667.34

Compensated Absences:

Payable from General Fund	\$ 126,740.38
Payable from Water Fund	\$ 15,333.39
Payable from Electric Fund	\$ 35,461.57
Payable from Sewer Fund	\$ 12,400.65
Payable from Sanitation Fund	\$ 1,639.78
Payable from Jail Fund	\$ 78,691.59

NOTES TO THE FINANCIAL STATEMENTS
(continued)

The annual requirements to amortize all debt outstanding as of December 31, 2023, except for compensated absences, are as follows:

Annual Requirements to Maturity for Long-Term Liabilities
December 31, 2023

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
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			13,235.74	3,870.18	66,101.77	3,567.11
2028			13,536.07	3,569.85	68,276.44	1,392.44
2029-2033			72,429.27	13,100.33		
2034-2038			77,746.81	4,501.56		
Totals	440,000.00	18,391.50	214,919.07	38,388.50	320,317.42	28,026.98

Year Ending December 31,	State Revolving Fund Loan Clean Water #2		Direct Borrowing Lease Payable Adina Systems		USDA Rural Development Sales Tax Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
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	35.31	9,690.90	8,621.10
2027	20,894.31	4,009.85			10,010.58	8,301.42
2028	21,528.23	3,375.93			10,340.80	7,971.20
2029-2033	99,025.80	6,816.88			57,051.72	34,508.28
2034-2038					67,103.65	24,456.35
2039-2043					78,926.64	12,633.36
2044-2048					36,554.63	1,595.37
Totals	200,511.70	29,851.78	79,837.77	4,012.23	288,142.16	116,247.84

Year Ending December 31,	USDA Rural Development Water & Wastewater Bonds		Direct Borrowing Note Payable Winner School Office Building		Sales Taxes Renue Bonds Bonds Payable, Series 2019	
	Principal	Interest	Principal	Interest	Principal	Interest
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	20,210.24	16,881.76			160,000.00	68,872.50
2028	20,747.19	16,344.81			165,000.00	65,352.50
2029-2033	112,302.91	73,157.09			900,000.00	263,695.00
2034-2038	128,035.38	57,424.62			1,030,000.00	127,860.00
2039-2043	145,971.75	39,488.25			225,000.00	6,750.00
2044-2048	166,420.85	19,039.15				
2049-2050	58,644.56	3,175.44				
Totals	709,879.08	279,240.92	45,000.00	0.00	2,945,000.00	762,787.50

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Year Ending December 31,	Direct Borrowing Lease Payable Boring Machine		Direct Borrowing Lease Payable 2019 Peterbilt Truck		Direct Borrowing Lease Payable Potholer	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	32,275.55	1,194.97	29,382.39	1,234.05	11,777.06	3,283.31
2025	16,565.70	169.56			11,933.48	1,968.41
2026					13,051.64	850.24
2027					2,292.21	25.78
Totals	48,841.25	1,364.53	29,382.39	1,234.05	39,054.39	6,127.74

Year Ending December 31,	Right-To-Use Lease Payable JD 544P Wheel Loader		Right-To-Use Lease Payable Altec Boom Truck		Right-To-Use Lease Payable JD 333 Compact Loader	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	19,022.32	2,841.48	30,987.60	2,665.11	8,115.94	284.06
2025	19,925.88	1,937.92	29,973.60	1,082.40		
2026	20,872.36	991.44	7,706.14	57.86		
Totals	59,820.56	5,770.84	68,667.34	3,805.37	8,115.94	284.06

Year Ending December 31,	Direct Borrowing Purchase Agreement Tripp County for Recycling Center		TOTALS	
	Principal	Interest	Principal	Interest
2024	20,000.00		616,690.76	152,654.54
2025	20,000.00		578,770.30	133,537.11
2026	20,000.00		514,640.46	117,605.18
2027	20,000.00		312,744.85	105,528.60
2028	20,000.00		319,428.73	98,006.73
2029-2033	100,000.00		1,340,809.70	391,277.58
2034-2038			1,302,885.84	214,242.53
2039-2043			449,898.39	58,871.61
2044-2048			202,975.48	20,634.52
2049-2050			58,644.56	3,175.44
Totals	200,000.00	0.00	5,697,489.07	1,295,533.84

10. RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2023 was as follows:

Major Funds:	
Equipment Repair/Replacement	\$ 805,000.00
Swimming Pool and Parks	184,529.53
24/7 Sobriety Services	34,814.77
911 Communications Fund	763,615.26
SDSR Pension	526,485.69
Debt Service	160,009.87
Permanently Restricted:	
Cemetery Perpetual Care Fund - Expendable	5,185.10
Cemetery Perpetual Care Fund - Nonexpendable	50,000.00
Total Restricted Net Position	<u>\$ 2,529,640.22</u>

These balances are restricted due to federal grant and statutory requirements.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

11. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2023 were as follows:

Transfers From:	Transfers to:			Total
	General Fund	911 Communications Fund	Sanitation Fund	
Water Fund			100,000.00	100,000.00
Light Fund	850,000.00			850,000.00
Jail Fund	150,000.00	498,506.00	700,000.00	1,348,506.00
TOTAL	<u>1,000,000.00</u>	<u>498,506.00</u>	<u>800,000.00</u>	<u>2,298,506.00</u>

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

12. PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is 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.

Benefits Provided:

SDRS has four different classes of employees, Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation 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. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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

NOTES TO THE FINANCIAL STATEMENTS
(continued)

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.

Legislation enacted in 2021 reduced the minimum COLA from 0.5 percent to 0.0 percent.

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, 2023, 2022, and 2021, were \$295,374.75, \$274,936.50, and \$266,047.01, respectively, equal to the required contributions each year.

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

At June 30, 2023, SDRS is 100.1% 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, 2023 and reported by the Municipality as of December 31, 2023 are as follows:

Proportionate share of pension liability	\$ 26,462,178.39
Less proportionate share of net position restricted for pension benefits	<u>\$ 26,480,002.44</u>
Proportionate share of net pension liability (asset)	<u>\$ (17,824.05)</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

At December 31, 2023, the Municipality reported a liability (asset) of \$(17,824.05) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2023 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, 2023, the Municipality's proportion was 0.18261500%, which is an increase (decrease) of (0.0058110%) from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the Municipality recognized pension expense (reduction of pension expense) of \$71,112.61. At December 31, 2023 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.	\$ 505,231.14	
Changes in assumption.	\$ 609,379.10	\$ 890,776.58
Net difference between projected and actual earnings on pension plan investments.	\$ 118,666.33	
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	\$ 14,639.27	\$ 173.57
Municipality contributions subsequent to the measurement date.	\$ 151,695.95	
TOTAL	<u><u>\$ 1,399,611.79</u></u>	<u><u>\$ 890,950.15</u></u>

\$151,695.95 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, 2024. 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:

Year Ended	
December 31:	
2024	\$ 247,416.77
2025	(265,425.57)
2026	348,840.38
2027	26,134.11
TOTAL	<u><u>\$ 356,965.69</u></u>

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	1.91%

Mortality Rates

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected Generationally with improvement scale MP-2020

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above.

Public Safety Retirees: PubS-2010, 102% of rates at all ages.

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2022.

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, 2023 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

NOTES TO THE FINANCIAL STATEMENTS
(continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	56.3%	3.8%
Investment Grade Debt	22.8%	1.7%
High Yield Debt	7.0%	2.7%
Real Estate	12.0%	3.5%
Cash	1.9%	0.8%
Total	100%	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions 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% 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)	\$3,653,302.51	\$ (17,824.05)	\$(3,020,105.24)

Pension Plan Fiduciary Net Position:

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

13. 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.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

The members of the joint venture and their relative percentages of participation are as follows:

Alpena City	1.04%	New Witten City	0.36%
Aurora County	7.39%	Oacoma City	1.52%
Brule County	8.81%	Plankinton City	2.50%
Buffalo County	1.09%	Presho City	2.70%
Chamberlain City	9.70%	Reliance City	0.70%
Colome City	1.28%	Stickney City	1.33%
Draper City	0.51%	Tripp County	13.10%
Jerauld County	4.21%	Vivian City	1.09%
Jones County	2.16%	Wessington Springs City	4.47%
Kennebec City	1.17%	White Lake City	1.73%
Kimball City	3.07%	White River City	2.46%
Lane City	0.29%	Winner City	13.84%
Lyman County	4.30%	Wood City	0.30%
Mellette County	6.07%		
Murdo City	2.81%		

The joint venture's governing board is composed of 12 representatives-one from each of the 8 counties and 4 members at large. 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 assets of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

As of December 31, 2022, this joint venture had a total fund net position of \$2,519,100 and liabilities of \$2,337,414. This is the most recent financial information the entity was able to provide as of this audit.

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

14. SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2023, the Municipality was not involved in any significant litigation.

15. 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, 2023, 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.

See Independent Auditor's Report.

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, 2023, one claim was filed for these matters resulting in \$669.00. At December 31, 2023, 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.

16. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through July 31, 2025, 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, 2023

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes	636,200.00	636,200.00	628,150.32	(8,049.68)
General Sales and Use Taxes	1,953,025.00	1,953,025.00	2,048,437.47	95,412.47
Penalties and Interest on Delinquent Taxes	0.00	0.00	3,134.82	3,134.82
Licenses and Permits	24,000.00	24,000.00	30,004.84	6,004.84
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	37,103.31	37,103.31
State Shared Revenue:				
Bank Franchise Tax	9,000.00	9,000.00	14,112.54	5,112.54
Prorate License Fees	4,500.00	4,500.00	13,195.45	8,695.45
Liquor Tax Reversion	20,000.00	20,000.00	20,078.08	78.08
Motor Vehicle Licenses	48,000.00	48,000.00	44,265.62	(3,734.38)
Local Government Highway and Bridge Fund	85,000.00	85,000.00	91,239.20	6,239.20
County Shared Revenue:				
County Wheel Tax	7,200.00	7,200.00	7,295.55	95.55
Charges for Goods and Services:				
General Government	50,000.00	50,000.00	39,415.70	(10,584.30)
Highway and Streets	20,000.00	20,000.00	11,371.12	(8,628.88)
Culture and Recreation	30,500.00	30,500.00	38,301.19	7,801.19
Cemetery	34,100.00	34,100.00	26,463.00	(7,637.00)
Fines and Forfeits:				
Court Fines and Costs	3,500.00	3,500.00	1,596.03	(1,903.97)
Miscellaneous Revenue:				
Investment Earnings	20,000.00	20,000.00	44,209.84	24,209.84
Rentals	71,400.00	71,400.00	88,641.00	17,241.00
Special Assessments	0.00	0.00	511.20	511.20
Other	20,000.00	20,000.00	24,046.88	4,046.88
Total Revenue	3,036,425.00	3,036,425.00	3,211,573.16	175,148.16
Expenditures:				
General Government:				
Contingency	300,000.00	300,000.00		
Amount Transferred		(288,448.00)		11,552.00
Executive	86,307.00	86,307.00	61,788.50	24,518.50
Elections	750.00	850.00	808.65	41.35
Financial Administration	482,436.00	488,036.00	484,885.11	3,150.89
Other	179,294.00	179,294.00	168,225.92	11,068.08
Total General Government	1,048,787.00	766,039.00	715,708.18	50,330.82

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF WINNER
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Expenditures (continued):				
Public Safety:				
Police	938,348.00	938,348.00	863,851.90	74,496.10
Fire	88,548.00	129,566.00	111,347.06	18,218.94
Total Public Safety	1,026,896.00	1,067,914.00	975,198.96	92,715.04
Public Works:				
Highways and Streets	1,440,392.00	1,661,832.00	1,587,791.21	74,040.79
Cemeteries	173,609.00	173,609.00	131,175.04	42,433.96
Total Public Works	1,614,001.00	1,835,441.00	1,718,966.25	116,474.75
Health and Welfare:				
Health	5,276.00	5,276.00	4,692.46	583.54
Total Health and Welfare	5,276.00	5,276.00	4,692.46	583.54
Culture and Recreation:				
Recreation	171,244.00	171,244.00	178,368.17	(7,124.17)
Parks	376,475.00	376,475.00	371,870.29	4,604.71
Total Culture and Recreation	547,719.00	547,719.00	550,238.46	(2,519.46)
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	209,557.00	229,847.00	182,801.26	47,045.74
Total Conservation and Development	209,557.00	229,847.00	182,801.26	47,045.74
Debt Service	85,795.00	85,795.00	85,792.24	2.76
Total Expenditures	4,538,031.00	4,538,031.00	4,233,397.81	304,633.19
Excess of Revenue Over (Under) Expenditures	(1,501,606.00)	(1,501,606.00)	(1,021,824.65)	479,781.35
Other Financing Sources (Uses):				
Transfers In	1,100,000.00	1,100,000.00	1,000,000.00	(100,000.00)
Total Other Financing Sources (Uses)	1,100,000.00	1,100,000.00	1,000,000.00	(100,000.00)
Net Change in Fund Balances	(401,606.00)	(401,606.00)	(21,824.65)	379,781.35
Fund Balance - Beginning	1,590,521.91	1,590,521.91	1,590,521.91	0.00
FUND BALANCE - ENDING	1,188,915.91	1,188,915.91	1,568,697.26	379,781.35

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF WINNER
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
LIQUOR, LODGING & DINING FUND
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Taxes:				
General Sales and Use Taxes	138,000.00	138,000.00	148,320.12	10,320.12
Total Revenue	138,000.00	138,000.00	148,320.12	10,320.12
Expenditures:				
Debt Service	138,000.00	138,000.00	92,122.00	45,878.00
Total Expenditures	138,000.00	138,000.00	92,122.00	45,878.00
Net Change in Fund Balances	0.00	0.00	56,198.12	56,198.12
Fund Balance - Beginning	128,331.41	128,331.41	128,331.41	0.00
FUND BALANCE - ENDING	128,331.41	128,331.41	184,529.53	56,198.12

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF WINNER
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
24/7 SOBRIETY FUND
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Charges for Goods and Services:				
Public Safety	33,486.00	33,486.00	23,965.50	(9,520.50)
Total Revenue	33,486.00	33,486.00	23,965.50	(9,520.50)
Expenditures:				
Public Safety:				
Police	33,486.00	33,486.00	29,314.26	4,171.74
Total Public Safety	33,486.00	33,486.00	29,314.26	4,171.74
Total Expenditures	33,486.00	33,486.00	29,314.26	4,171.74
Net Change in Fund Balances	0.00	0.00	(5,348.76)	(5,348.76)
Fund Balance - Beginning	40,163.53	40,163.53	40,163.53	0.00
FUND BALANCE - ENDING	40,163.53	40,163.53	34,814.77	(5,348.76)

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF WINNER
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
911 COMMUNICATIONS FUND
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Revenues:				
Intergovernmental Revenue:				
State Shared Revenue:				
911 Remittances	315,500.00	315,500.00	345,962.32	30,462.32
Miscellaneous Revenue:				
Investment Earnings	5,000.00	5,000.00	5,304.42	304.42
Other	0.00	0.00	271.82	271.82
Total Revenue	320,500.00	320,500.00	351,538.56	31,038.56
Expenditures:				
Public Safety:				
Other Protection	819,006.00	819,006.00	679,111.94	139,894.06
Total Public Safety	819,006.00	819,006.00	679,111.94	139,894.06
Total Expenditures	819,006.00	819,006.00	679,111.94	139,894.06
Excess of Revenue Over (Under)				
Expenditures	(498,506.00)	(498,506.00)	(327,573.38)	170,932.62
Other Financing Sources (Uses):				
Transfers In	498,506.00	498,506.00	498,506.00	0.00
Total Other Financing Sources (Uses):	498,506.00	498,506.00	498,506.00	0.00
Net Change in Fund Balances	0.00	0.00	170,932.62	170,932.62
Fund Balance - Beginning	592,682.64	592,682.64	592,682.64	0.00
FUND BALANCE - ENDING	592,682.64	592,682.64	763,615.26	170,932.62

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

NOTE 1. Budgets and Budgetary Accounting

The 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. No amount of expenditures may be charged directly to the contingency line item in the budget.
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, 2023.

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 each major special revenue fund 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 INFORMATIONSCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

* Last Nine 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)
2023	0.1826150%	\$ (17,824.05)	\$ 4,014,699.59	0.43%	100.10%
2022	0.1884260%	\$ (17,807.43)	\$ 3,850,129.76	0.46%	100.10%
2021	0.1921050%	\$ (1,471,195.52)	\$ 3,752,457.69	39.21%	105.52%
2020	0.1918231%	\$ (8,330.84)	\$ 3,583,227.78	0.23%	100.04%
2019	0.1907278%	\$ (20,211.92)	\$ 3,455,785.06	0.58%	100.09%
2018	0.1930680%	\$ (4,502.79)	\$ 3,302,250.40	0.14%	100.02%
2017	0.1841410%	\$ (16,710.99)	\$ 3,195,036.24	0.52%	100.10%
2016	0.1831219%	\$ 618,567.79	\$ 2,847,896.26	21.72%	96.89%
2015	0.1610902%	\$ (683,229.57)	\$ 2,642,792.30	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 Nine 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>
2023	\$ 295,374.75	\$ 295,374.75	\$ -	\$ 4,196,458.38	7.04%
2022	\$ 274,936.50	\$ 274,936.50	\$ -	\$ 3,888,604.27	7.07%
2021	\$ 266,047.01	\$ 266,047.01	\$ -	\$ 3,846,179.11	6.92%
2020	\$ 252,984.55	\$ 252,984.55	\$ -	\$ 3,595,204.48	7.04%
2019	\$ 240,285.14	\$ 240,285.14	\$ -	\$ 3,407,682.94	7.05%
2018	\$ 253,937.76	\$ 253,937.76	\$ -	\$ 3,609,675.09	7.03%
2017	\$ 234,433.15	\$ 234,433.15	\$ -	\$ 3,202,756.85	7.32%
2016	\$ 206,644.90	\$ 206,644.90	\$ -	\$ 2,944,213.53	7.02%
2015	\$ 197,219.79	\$ 197,219.79	\$ -	\$ 2,814,927.59	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 SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions

Changes from Prior Valuation

The June 30, 2023 Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change in actuarial assumptions from the June 30, 2022 Actuarial Valuation.

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

Benefit Provision Changes

During the 2023 Legislative Session no significant SDRS benefit changes were made and emergency medical services personnel prospectively became Class B Public Safety members.

Actuarial Method Changes

No changes in actuarial methods were made since the prior valuation

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% 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%.

As of June 30, 2022, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2023 SDRS COLA was limited to a restricted maximum of 2.10%. For the June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 2.10%.

As of June 30, 2023, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2024 SDRS COLA is limited to a restricted maximum of 1.91%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.91%. For this June 30, 2023 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.91%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027 Actuarial Valuation and any recommended changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.