



Financial Statements
June 30, 2023

Warner School District 6-5

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Independent Auditor's Report

To the School Board
Warner School District 6-5
Warner, South Dakota

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Warner School District 6-5 (the School District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the the School District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of changes in the School District's total OPEB liability and related ratios, budgetary comparison schedules, schedule of employer's share of net pension liability (asset), and schedule of employer's contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Management has omitted the management's discussion and analysis 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 opinions on the basic financial statements are not affected by the missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2024, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Aberdeen, South Dakota
June 6, 2024

Warner School District 6-5
Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,604,189	\$ 21,516	\$ 1,625,705
Investments	365,515	-	365,515
Taxes receivable	734,095	-	734,095
Inventories	-	6,212	6,212
Net pension asset	6,414	249	6,663
Other assets	324,860	-	324,860
Capital assets			
Land and land improvements	43,728	-	43,728
Construction in progress	28,267	-	28,267
Right-to-use leased assets, net of amortization	9,879	-	9,879
Other capital assets, net of depreciation	9,519,779	32,311	9,552,090
Total assets	<u>12,636,726</u>	<u>60,288</u>	<u>12,697,014</u>
Deferred Outflows of Resources			
OPEB related deferred outflows	20,847	-	\$ 20,847
Pension related deferred outflows	637,925	24,798	662,723
	<u>\$ 13,295,498</u>	<u>\$ 85,086</u>	<u>\$ 13,380,584</u>
Liabilities			
Accounts payable	\$ 32,061	\$ 488	\$ 32,549
Other current liabilities	285,388	14,903	300,291
Noncurrent liabilities:			
Due in more than one year - OPEB	152,302	-	152,302
Due within one year	429,779	-	429,779
Due in more than one year	1,771,727	-	1,771,727
Total liabilities	<u>2,671,257</u>	<u>15,391</u>	<u>2,686,648</u>
Deferred Inflows of Resources			
OPEB related deferred inflows	696	-	696
Pension related deferred inflows	373,038	14,502	387,540
Taxes levied for future period	856,942	-	856,942
Total deferred inflows of resources	<u>1,230,676</u>	<u>14,502</u>	<u>1,245,178</u>
Net Position			
Net investment in capital assets	7,400,147	32,311	7,432,458
Restricted for			
Capital Outlay	515,346	-	515,346
Special Education	241,168	-	241,168
SDRS Benefits	271,301	10,545	281,846
Bond Redemption	27,235	-	27,235
Unrestricted	938,368	12,337	950,705
Total net position	<u>9,393,565</u>	<u>55,193</u>	<u>9,448,758</u>
	<u>\$ 13,295,498</u>	<u>\$ 85,086</u>	<u>\$ 13,380,584</u>

Warner School District 6-5
Statement of Activities
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
Instruction	\$ 1,994,493	\$ -	\$ 342,583	\$ 98,000	\$ (1,553,910)	\$ -	\$ (1,553,910)
Support services	1,397,815	3,628	-	-	(1,394,187)	-	(1,394,187)
*Interest on long-term debt	57,154	-	-	-	(57,154)	-	(57,154)
Co-curricular activities	349,394	31,741	-	-	(317,653)	-	(317,653)
Total governmental activities	<u>3,798,856</u>	<u>35,369</u>	<u>342,583</u>	<u>98,000</u>	<u>(3,322,904)</u>	<u>-</u>	<u>(3,322,904)</u>
Business-type activities							
Food service	210,427	134,748	-	-	-	(75,679)	(75,679)
Preschool	3,369	2,218	-	-	-	(1,151)	(1,151)
Drivers education	6,457	6,925	-	-	-	468	468
Total business-type activities	<u>220,253</u>	<u>143,891</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(76,362)</u>	<u>(76,362)</u>
Total primary government	<u>\$ 4,019,109</u>	<u>\$ 179,260</u>	<u>\$ 342,583</u>	<u>\$ 98,000</u>	<u>(3,322,904)</u>	<u>(76,362)</u>	<u>(3,399,266)</u>
General Revenues							
Taxes							
Property taxes					1,647,208	-	1,647,208
Gross receipts taxes					37,005	-	37,005
Revenue from state sources							
State aid					1,860,574	-	1,860,574
Other					-	515	515
Revenue from federal sources						66,128	66,128
Unrestricted investment earnings					4,804	54	4,858
Other general revenues					232,901	-	232,901
Gain on sale of surplus property					3,261	-	3,261
Total general revenues, transfers, and sale of surplus property					<u>3,785,753</u>	<u>66,697</u>	<u>3,852,450</u>
Change in Net Position					<u>462,849</u>	<u>(9,665)</u>	<u>453,184</u>
Net Position - Beginning					<u>8,930,716</u>	<u>64,858</u>	<u>8,995,574</u>
Net Position - Ending					<u>\$ 9,393,565</u>	<u>\$ 55,193</u>	<u>\$ 9,448,758</u>

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

Warner School District 6-5
Balance Sheet – Governmental Funds
June 30, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Northern High Tech Consortium	Capital Project Fund	Total Funds
Assets							
Cash and cash equivalents	\$ 700,903	\$ 576,555	\$ 288,248	\$ 35,759	\$ 466	\$ 2,258	\$ 1,604,189
Investments	365,515	-	-	-	-	-	365,515
110 Taxes receivable - current	243,572	305,913	121,776	51,801	-	-	723,062
112 Taxes receivable - delinquent	5,150	3,803	1,423	657	-	-	11,033
120 Accounts receivable, net	-	-	-	-	-	271,521	271,521
140 Due from other government	37,005	-	-	-	-	-	37,005
192 Prepaid insurance expense	15,686	-	648	-	-	-	16,334
	<u>\$ 1,367,831</u>	<u>\$ 886,271</u>	<u>\$ 412,095</u>	<u>\$ 88,217</u>	<u>\$ 466</u>	<u>\$ 273,779</u>	<u>\$ 3,028,659</u>
Liabilities							
402 Accounts payable	\$ 17,345	\$ 10,485	\$ 3,316	\$ -	\$ 916	\$ -	\$ 32,062
404 Contracts payable	202,902	-	16,106	-	-	-	219,008
450 Payroll deductions, withholdings, and employer matching payable	58,361	-	8,018	-	-	-	66,379
Total liabilities	<u>278,608</u>	<u>10,485</u>	<u>27,440</u>	<u>-</u>	<u>916</u>	<u>-</u>	<u>317,449</u>
Deferred Inflows of Resources							
551 Unavailable revenue - delinquent property taxes	5,150	3,803	1,423	657	-	-	11,033
551 Taxes levied for a future period	292,033	360,440	143,487	60,982	-	-	856,942
559 Other	-	-	-	-	-	271,521	271,521
Total deferred inflows of resources	<u>297,183</u>	<u>364,243</u>	<u>144,910</u>	<u>61,639</u>	<u>-</u>	<u>271,521</u>	<u>1,139,496</u>
Fund Balances							
710 Non-spendable	15,686	-	648	-	-	-	16,334
720 Restricted for							
Capital Outlay	-	511,543	-	-	-	-	511,543
Special Education	-	-	239,097	-	-	-	239,097
Debt Service	-	-	-	26,578	-	-	26,578
760 Unassigned	776,354	-	-	-	(450)	2,258	778,162
Total fund balances (deficit)	<u>792,040</u>	<u>511,543</u>	<u>239,745</u>	<u>26,578</u>	<u>(450)</u>	<u>2,258</u>	<u>1,571,714</u>
	<u>\$ 1,367,831</u>	<u>\$ 886,271</u>	<u>\$ 412,095</u>	<u>\$ 88,217</u>	<u>\$ 466</u>	<u>\$ 273,779</u>	<u>\$ 3,028,659</u>

Warner School District 6-5
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 Year Ended June 30, 2023

Total Fund Balances - Governmental Funds	\$ 1,571,714
Amounts Reported for Governmental Activities in the Statement of Net Position is Different Because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	9,601,653
Long-term liabilities, including bonds payable and finance leases payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,201,506)
Assets, such as delinquent taxes receivable and amounts due that are not available to pay for current period expenditures, are deferred in the funds.	11,033
Assets such as pledges receivable are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in the funds.	271,521
OPEB obligations, related deferred outflows/inflows of resources, and OPEB related deferred outflows of resources do not represent available financial resources and, therefore, are not reported in the funds.	(132,151)
Net pension asset/liability, pension related deferred inflows of resources, and pension related deferred outflows of resources do not represent available financial resources and, therefore, are not reported in the funds.	<u>271,301</u>
Net Position - Governmental Funds	<u><u>\$ 9,393,565</u></u>

Warner School District 6-5
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Northern High Tech Consortium	Capital Project Fund	Total Governmental Funds
Revenues							
1000 Revenue from local sources							
1100 Taxes							
1110 Ad valorem taxes	\$ 541,155	\$ 701,813	\$ 269,921	\$ 118,927	\$ -	\$ -	\$ 1,631,816
1120 Prior year's ad valorem taxes	2,899	1,559	579	265	-	-	5,302
1140 Utility taxes	37,005	-	-	-	-	-	37,005
1190 Penalties and interest on taxes	686	808	304	137	-	-	1,935
1500 Earnings on investments and deposits	4,130	314	313	38	9	-	4,804
1700 Co-curricular activities							
1710 Admissions	27,000	-	-	-	-	-	27,000
1740 Rentals	425	-	-	-	-	-	425
1790 Other pupil activity income	4,316	-	-	-	-	-	4,316
1900 Other revenue from local sources							
1920 Contributions and donations	352	98,000	-	-	-	112,667	211,019
1970 Charges for services	3,474	-	154	-	-	-	3,628
1990 Other	190,646	28,267	-	-	-	-	218,913
2000 Revenue from intermediate sources							
2100 County sources							
2110 County apportionment	13,988	-	-	-	-	-	13,988
3000 Revenue from state sources							
3100 Grants-in-aid							
3110 Unrestricted grants-in-aid	1,860,574	-	-	-	-	-	1,860,574
4000 Revenue from federal sources							
4140 Restricted grants-in-aid received directly from federal government	-	236,379	-	-	-	-	236,379
4150-4199 Restricted grants-in-aid received from federal government through the state	71,420	-	-	-	34,432	-	105,852
Total revenues	<u>2,758,070</u>	<u>1,067,140</u>	<u>271,271</u>	<u>119,367</u>	<u>34,441</u>	<u>112,667</u>	<u>4,362,956</u>

Warner School District 6-5

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Northern High Tech Consortium	Capital Project Fund	Total Governmental Funds
Expenditures							
1000 Instruction							
1100 Regular programs							
1110 Elementary	\$ 640,288	\$ 8,102	\$ -	\$ -	\$ -	\$ -	\$ 648,390
1120 Middle school	304,007	1,633	-	-	-	-	305,640
1130 High school	625,720	9,665	-	-	12,206	-	647,591
1200 Special programs							
1220 Programs for special education	-	-	213,912	-	-	-	213,912
1270 Educationally deprived	83,285	-	-	-	-	-	83,285
2000 Support services							
2100 Pupils							
2120 Guidance	44,446	-	-	-	-	-	44,446
2130 Health	452	-	-	-	-	-	452
2140 Psychological	-	-	8,230	-	-	-	8,230
2150 Speech pathology	-	-	21,324	-	-	-	21,324
2170 Student therapy services	-	-	42,289	-	-	-	42,289
2200 Support services - instructional staff							
2210 Improvement of instruction	6,121	-	-	-	-	-	6,121
2220 Educational media	91,811	24,844	-	-	-	-	116,655
2300 Support services - general administration							
2310 Board of Education	31,477	-	-	-	-	-	31,477
2320 Executive administration	87,751	-	-	-	-	-	87,751
2400 Support services - school administration							
2410 Office of the Principal	194,239	-	-	-	-	-	194,239
2490 Other	154	-	-	-	-	-	154
2500 Support services - business							
2520 Fiscal services	93,439	12,449	-	-	-	-	105,888
2530 Facilities acquisition and construction	-	60,866	-	-	31,471	-	92,337
2540 Operation and maintenance of plant	333,371	-	-	-	-	-	333,371
2550 Pupil transportation	114,072	-	-	-	-	-	114,072
2600 Support services - central							
2640 Staff	253	-	-	-	-	-	253
2700 Support services - special education							
2710 Administrative costs	-	-	18,501	-	-	-	18,501

Warner School District 6-5

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Northern High Tech Consortium	Capital Project Fund	Total Governmental Funds
5000 Debt services	\$ -	\$ 183,912	\$ -	\$ 120,058	\$ -	\$ 99,931	\$ 403,901
6000 Co-curricular activities							
6100 Male activities	77,100	4,686	-	-	-	-	81,786
6200 Female activities	59,701	6,642	-	-	-	-	66,343
6900 Combined activities	24,808	-	-	-	-	-	24,808
7500 Capital outlay	-	285,731	-	-	-	547,949	833,680
Total expenditures	2,812,495	598,530	304,256	120,058	43,677	647,880	4,526,896
Excess of Revenue over (under) Expenditures	(54,425)	468,610	(32,985)	(691)	(9,236)	(535,213)	(163,940)
Other Financing Sources (Uses)							
5120 General long-term debt issued	-	-	-	-	-	627,845	627,845
8110 Transfers out	-	(430,000)	-	-	-	-	(430,000)
5110 Transfers in	-	-	-	-	-	430,000	430,000
5130 Sale of surplus property	3,261	-	-	-	-	-	3,261
Total other financing sources (uses)	3,261	(430,000)	-	-	-	1,057,845	631,106
Net Change in Fund Balances	(51,164)	38,610	(32,985)	(691)	(9,236)	522,632	467,166
Fund Balance - Beginning	843,204	472,933	272,730	27,269	8,786	(520,374)	1,104,548
Fund Balance (Deficit) - Ending	\$ 792,040	\$ 511,543	\$ 239,745	\$ 26,578	\$ (450)	\$ 2,258	\$ 1,571,714

Warner School District 6-5

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the
Government-Wide Statement of Activities
Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ 467,166
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$833,680 exceeded depreciation of \$521,955 in the current period.	311,725
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	338,633
Finance lease payments are expenditures in the governmental funds, when due, but repayments reduce long-term liabilities in the statement of net position.	8,114
The issuance of long-term debt including premiums is an other financing source in the fund statements but an increase in long-term liabilities on the government-wide statements.	(627,845)
The accrual of OPEB costs is not reflected in governmental funds, but the statement of activities reflects the changes in this liability and related deferred outflows/inflows of resources from one year to the next.	32,800
The fund financial statement governmental fund property tax differs from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available."	8,155
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(112,667)
Changes in the pension-related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	36,768
	<hr/>
Change in Net Position of Governmental Activities	<u><u>\$ 462,849</u></u>

Warner School District 6-5
Statement of Net Position – Proprietary Funds
June 30, 2023

	Enterprise		
	Food Service Fund	Other Enterprise Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 19,226	\$ 2,290	\$ 21,516
Inventory of supplies	1,047	-	1,047
Inventory of stores purchased for resale	5,165	-	5,165
Total current assets	<u>25,438</u>	<u>2,290</u>	<u>27,728</u>
Noncurrent Assets			
Net pension asset	237	12	249
Capital assets			
Machinery and equipment - local funds	107,332	-	107,332
Less accumulated depreciation	<u>(75,021)</u>	<u>-</u>	<u>(75,021)</u>
Total noncurrent assets	<u>32,548</u>	<u>12</u>	<u>32,560</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>23,605</u>	<u>1,193</u>	<u>24,798</u>
	<u>\$ 81,591</u>	<u>\$ 3,495</u>	<u>\$ 85,086</u>
Liabilities and Net Position			
Current Liabilities			
Accounts payable	\$ 216	\$ 272	\$ 488
Contracts payable	6,135	-	6,135
Payroll deductions, withholdings, and employer matching payable	771	-	771
Deposits payable	<u>7,997</u>	<u>-</u>	<u>7,997</u>
Total current liabilities	<u>15,119</u>	<u>272</u>	<u>15,391</u>
Deferred Inflows of Resources			
Pension related deferred inflows	<u>13,804</u>	<u>698</u>	<u>14,502</u>
Net Position			
Net investment in capital assets	32,311	-	32,311
Restricted for SDRS benefits	10,038	507	10,545
Unrestricted	<u>10,319</u>	<u>2,018</u>	<u>12,337</u>
Total net position	<u>52,668</u>	<u>2,525</u>	<u>55,193</u>
	<u>\$ 81,591</u>	<u>\$ 3,495</u>	<u>\$ 85,086</u>

Warner School District 6-5
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
Year Ended June 30, 2023

	Enterprise		
	Food Service Fund	Other Enterprise Fund	Total
Operating Revenue			
Student tuition	\$ -	\$ 6,925	\$ 6,925
Food sales	134,748	-	134,748
Daycare services	-	2,218	2,218
Total operating revenue	<u>134,748</u>	<u>9,143</u>	<u>143,891</u>
Operating Expenses			
100 Salaries	74,733	9,093	83,826
200 Employee benefits	8,433	384	8,817
300 Purchased services	1,452	-	1,452
400 Supplies	6,099	349	6,448
461 Cost of sales - purchased	112,427	-	112,427
462 Cost of sales - donated	4,181	-	4,181
900 Depreciation	3,102	-	3,102
Total operating expenses	<u>210,427</u>	<u>9,826</u>	<u>220,253</u>
Operating Income (Loss)	<u>(75,679)</u>	<u>(683)</u>	<u>(76,362)</u>
Nonoperating Revenue			
Local sources			
1510 Investment earnings	49	5	54
State sources			
3810 Cash reimbursements	515	-	515
Federal sources			
4810 Cash reimbursements	61,947	-	61,947
4820 Donated food	4,181	-	4,181
Total nonoperating revenue	<u>66,692</u>	<u>5</u>	<u>66,697</u>
Income (Loss) Before Contributions, Special Items, Extraordinary Items, and Transfers	<u>(8,987)</u>	<u>(678)</u>	<u>(9,665)</u>
Change in Net Position	(8,987)	(678)	(9,665)
Net Position - Beginning	<u>61,655</u>	<u>3,203</u>	<u>64,858</u>
Net Position - Ending	<u>\$ 52,668</u>	<u>\$ 2,525</u>	<u>\$ 55,193</u>

Warner School District 6-5
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2023

	Enterprise		
	Food Service Fund	Other Enterprise Fund	Total
Cash Flows from (used for) Operating Activities			
Cash receipts from customers	\$ 123,099	\$ 9,143	\$ 132,242
Cash payments to employees for services	(84,010)	(9,984)	(93,994)
Cash payments to suppliers of goods or services	(120,098)	(391)	(120,489)
Net Cash from (used for) Operating Activities	<u>(81,009)</u>	<u>(1,232)</u>	<u>(82,241)</u>
Cash Flows from Noncapital Financing Activities			
Operating subsidies	62,462	-	62,462
Net Cash Flows from Noncapital Financing Activities	<u>62,462</u>	<u>-</u>	<u>62,462</u>
Cash Flows from Investing Activities			
Cash received for interest	49	5	54
Net Cash from Investing Activities	<u>49</u>	<u>5</u>	<u>54</u>
Net Change in Cash and Cash Equivalents	(18,498)	(1,227)	(19,725)
Cash and Cash Equivalents, Beginning of Year	37,724	3,517	41,241
Cash and Cash Equivalents, End of Year	<u>\$ 19,226</u>	<u>\$ 2,290</u>	<u>\$ 21,516</u>
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities			
Operating income (loss)	\$ (75,679)	\$ (683)	\$ (76,362)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities			
Depreciation expense	3,102	-	3,102
Value of donated commodities used	4,181	-	4,181
Change in assets and liabilities			
Inventories	35	-	35
Pension assets and deferred outflows	20,239	(1,205)	19,034
Pension deferred inflows	(22,060)	698	(21,362)
Accounts and other payables	822	(42)	780
Deposits payable	(11,649)	-	(11,649)
Net Cash from (used for) Operating Activities	<u>\$ (81,009)</u>	<u>\$ (1,232)</u>	<u>\$ (82,241)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	\$ 4,181	\$ -	\$ 4,181

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Warner School District 6-5 conform to generally accepted accounting principles applicable to government entities in the United States of America.

Financial Reporting Entity

The reporting entity of Warner School District 6-5 (the School District) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the School District); 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 School District's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has one component unit, Northern High Tech Consortium, which is presented as a blended component unit.

The School District participates in a cooperative service unit with several other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the School District as a component unit, but are discussed in these notes because of the nature of their relationship with the School District.

Basis of Presentation

The financial statements of the School District have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard setting body for governmental accounting and financial reporting.

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

Fund financial statements of the School District 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, deferred inflows, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

1. Total assets, liabilities, and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type;
2. Total assets, liabilities, and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5% 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.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary services.

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

Governmental Funds

General Fund – A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.

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

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

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

Northern High Tech Consortium – A fund established to provide technological equipment to member school districts. This fund is financed by grants. This is a major fund.

Debt Service Fund Types – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Bond Redemption Fund – A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. This is a major fund.

Capital Projects Funds – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

The Capital Project Fund related to the Field Turf project is the only capital projects fund maintained by the School District. This is a major fund.

Proprietary Funds

Enterprise Fund Types – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

Other Enterprise Fund (Driver's Education and Preschool) – A fund used to record financial transactions related to driver's education and preschool operations. This fund is financed by student tuition charges. This is a major fund.

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

Basis of Accounting

Government-Wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected, or to be collected, soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle and, for the School District, the length of that cycle is 60 days.

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

All proprietary funds 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.

Interfund Eliminations and Reclassifications

Government-Wide Financial Statements

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as internal balances, if any.

Fund Financial Statements

Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources" and are reported in the appropriate fund balance category.

Inventory

Inventory is stated at the lower of cost or market. The cost valuation method is first-in, first-out (FIFO). Donated commodities are valued at estimated market value based on USDA price list at the date of receipt. In the government-wide financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed. In the fund financial statements, inventories in the General Fund and the special revenue funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by nonspendable fund balance amounts which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The School District did not have any material amounts of inventory in the General Fund or special revenue funds.

Capital Assets

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

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

Government-Wide Statements

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated.

For governmental activities, construction-period interest is not capitalized along with other capital asset costs.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land*	All Land Values	N/A	N/A
Improvements	\$ 10,000	Straight-Line	10-50 years
Buildings	20,000	Straight-Line	20-50 years
Equipment	3,000	Straight-Line	3-20 years
Library books	All Values	Straight-Line	5 years
Food service equipment	500	Straight-Line	5-12 years

**Land is an inexhaustible capital asset and is not depreciated.*

Right-to-use leased assets are recognized at the lease commencement date and represent the School District's right to use an underlying asset for the lease term. Right-to-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the leased asset into service. Right-to-use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital 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.

Long-Term Liabilities

The accounting treatment of long-term liabilities depends on whether the proceeds 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 bonds payable and financing lease obligations.

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

Lease liabilities represent the School District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the School District.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has three items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, changes in the net pension liability (asset) not included in pension expense reported in the government-wide statement of net position, and changes in the total OPEB liability included in health insurance expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has three types of items that qualify for reporting in this category. The School District reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Another item is changes in the net pension liability (asset) not included in pension expense reported in the government-wide statement of net position. The final item is changes in the total OPEB liability included in health insurance expense reported in the government-wide statement of net position.

Program Revenues

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

1. Charges for Services – These arise from charges to customers, 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.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1, and are payable in two installments on or before April 30 and October 31 of the following year. Approximately 50% is considered to be applied to finance the budget of the current fiscal year, and the remaining percentage (50%) is considered to be applied to finance the budget for the subsequent year. The county bills and collects the School District's taxes and remits them to the School District. School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations.

Current year property taxes receivable, which are not available as a resource that can be used to finance the current year's appropriations and, therefore, are not susceptible to accrual, have been reported as unavailable revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the availability period.

Proprietary Funds Revenue and Expense Classifications

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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

Cash, Cash Equivalents, and Investments

The School District pools its cash resources for depositing and investing purposes. Accordingly, the enterprise funds have access to their cash resources on demand. All reported enterprise fund deposit and investment balances are considered to be cash equivalents for the purpose of the statement of cash flows.

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

Equity Classifications

Government-Wide Statements

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance, and is distinguished between nonspendable, restricted, committed, assigned, or unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements.

Application of Net Position

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

Fund Balance Classification Policies and Procedures

The School District classifies governmental fund balance 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 restraints.
- 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, which is the School Board, and does not lapse at year-end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the School Board or Business Manager.
- Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

Nonspendable fund balance is comprised of deposits paid for services which will be refunded back to the School District if services are no longer received and prepaid insurance.

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

The government does not have a formal minimum fund balance policy.

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

Major Special Revenue Fund	Revenue Source
Capital Outlay Fund Special Education Fund Northern High Tech Consortium	Grants and Property Taxes Property Taxes Grants

Pensions

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

Implementation of GASB Statement No. 96

As of July 1, 2022, The School District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). The implementation of this standard establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The implementation of this standard did not have a material impact on the School District’s financial statements or footnotes.

Note 2 - Deposits and Investments Credit Risk, Concentrations of Credit Risk, and Interest Rate Risk

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

Deposits

The School District’s deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1, and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100% 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.

Deposits are reported at cost plus interest, if the account is of the add-on type.

Custodial Credit Risk-Deposits – The risk that, in the event of a bank failure, the School District’s deposits may not be returned. The School District’s deposit policy requires deposits in excess of the Federal Depository Insurance Corporation (FDIC) maximums to be 100% collateralized as required by South Dakota Codified Law.

The financial institutions where the collateral is held must be a member of the FDIC. As of June 30, 2023, the financial institutions that hold the School District’s deposits were properly collateralized.

The actual bank balances at June 30, 2023, were as follows:

Insured (FDIC/NCUA)	\$ 500,000
Uninsured, collateral jointly held by State's/School District's agent in the name of the State and the pledging financial institution	1,500,942
	\$ 2,000,942
 The School District's carrying amount of deposits at June 30, 2023	 \$ 1,991,220
 Reconciliation of deposits to government-wide statement of net position	
Cash and cash equivalents	\$ 1,625,705
Add: Investments (Certificates of Deposit)	365,515
	\$ 1,991,220

Investments

In general, SDCL 4-5-6 permits School District funds to be invested only in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or (c) 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 deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent. The School District holds certificates of deposit as investments which are valued at amortized cost.

Custodial Credit Risk – The risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have an investment policy for custodial risk.

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

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

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

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from investments to the fund making the investment.

Note 3 - Receivables and Payables

Receivables and payables are aggregated in the government-wide financial statements. However, the fund financial statements present the receivable and payable information in a non-aggregated format. The School District expects all receivables to be collected within one year. Based on the nature of the receivables, no allowance for uncollectible amounts have been established. As of June 30, 2023, the School District has amounts due from other governments, which consists of amounts due from state sources, of \$37,005 in the General Fund.

Note 4 - Changes in Capital Assets

A summary of changes in capital assets for the fiscal year ended June 30, 2023, is as follows:

Primary Government	Balance 7/1/22	Increases	Decreases	Balance 6/30/23
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 43,728	\$ -	\$ -	\$ 43,728
Construction in progress	1,054,450	620,465	1,646,648	28,267
Total not being depreciated	1,098,178	620,465	1,646,648	71,995
Capital assets, being depreciated				
Improvements	2,863,585	1,777,618	-	4,641,203
Buildings	7,671,405	-	-	7,671,405
Equipment	1,596,717	78,904	13,747	1,661,874
Library books	126,192	3,341	8,015	121,518
Total being depreciated	12,257,899	1,859,863	21,762	14,096,000
Less accumulated depreciation for				
Improvements	599,989	226,690	-	826,679
Buildings	2,596,896	147,898	-	2,744,794
Equipment	763,210	134,465	13,747	883,928
Library books	122,759	6,076	8,015	120,820
Total accumulated depreciation	4,082,854	515,129	21,762	4,576,221
Total capital assets being depreciated, net	8,175,045	1,344,734	-	9,519,779
Right-to-use leased assets being amortized				
Right-to-use leased equipment	30,423	-	-	30,423
Less accumulated amortization for				
Right-to-use leased equipment	13,718	6,826	-	20,544
Total right-to-use leased assets, net	16,705	(6,826)	-	9,879
Governmental activity capital assets, net	\$ 9,289,928	\$ 1,958,373	\$ 1,646,648	\$ 9,601,653

Depreciation/Amortization expense was charged to functions as follows:

Governmental Activities	
Instruction	\$ 143,649
Support services	199,818
Co-curricular activities	178,488
Total depreciation/amortization expense - governmental activities	\$ 521,955

During 2023, the School District committed to purchasing a new playground set. The total amount committed was \$70,667, of which \$28,267 was paid in 2023 and remaining was paid in 2024 when the playground set was delivered. A majority of this equipment was funded by donations.

	Balance 7/1/22	Increases	Decreases	Balance 6/30/23
Business-Type Activities				
Capital assets, being depreciated				
Equipment	\$ 111,516	\$ -	\$ 4,184	\$ 107,332
Total being depreciated	111,516	-	4,184	107,332
Total accumulated depreciation	76,103	3,102	4,184	75,021
Total capital assets being depreciated, net	35,413	(3,102)	-	32,311
Business-type activity capital assets, net	<u>\$ 35,413</u>	<u>\$ (3,102)</u>	<u>\$ -</u>	<u>\$ 32,311</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities		
Food service		<u>\$ 3,102</u>
Total depreciation expense - business-type activities		<u>\$ 3,102</u>

Note 5 - Long-Term Liabilities

A summary of the changes in long-term liabilities for the year ended June 30, 2023, is as follows:

Purpose	Amounts Outstanding 7/1/22	Issued	Retired	Refinanced	Amounts Outstanding 6/30/23	Due in One Year
General Obligation Bonds - 2009	\$ 320,000	\$ -	\$ 105,000	\$ -	\$ 215,000	\$ 105,000
Capital Outlay Certificates - 2021	1,515,000	-	20,000	-	1,495,000	110,000
Direct Financing Obligation	-	627,845	208,356	-	419,489	205,571
Unamortized premium	68,601	-	5,277	-	63,324	5,277
	<u>\$ 1,903,601</u>	<u>\$ 627,845</u>	<u>\$ 338,633</u>	<u>\$ -</u>	<u>\$ 2,192,813</u>	<u>\$ 425,848</u>

Debt payable at June 30, 2023, is comprised of the following:

General Obligation Bonds

General Obligation Bonds Series 2009, interest ranges from 4.25% to 5.5%, maturity dates January 1, 2012 to January 1, 2025, paid by the Bond Redemption Fund. \$ 215,000

Capital Outlay Certificates

Capital Outlay Certificates 2021, interest ranges from .35% to 3.0%, maturity dates August 1, 2022 to August 1, 2034, paid by the Capital Outlay Fund. 1,495,000

Direct Financing Obligation

Direct financing obligation with Bank North, interest rates of 4.06%, maturity date of March 1, 2025, secured by the Turf Project, paid by Capital Project Fund and Capital Outlay Fund. 419,489

Unamortized premium 63,324

\$ 2,192,813

The annual debt service requirements to maturity for all long term liabilities outstanding as of June 30, 2023, are as follows:

Year Ending June 30,	General Obligation - 2009		Capital Outlay Certificates - 2021		Direct Financing Obligation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 105,000	\$ 8,833	\$ 110,000	\$ 32,643	\$ 205,571	\$ 17,032	\$ 420,571	\$ 58,508
2025	110,000	3,025	115,000	30,725	213,918	8,656	438,918	42,406
2026	-	-	115,000	27,275	-	-	115,000	27,275
2027	-	-	120,000	23,750	-	-	120,000	23,750
2028	-	-	125,000	20,075	-	-	125,000	20,075
2029-2033	-	-	635,000	59,750	-	-	635,000	59,750
2034-2038	-	-	275,000	5,550	-	-	275,000	5,550
	<u>\$ 215,000</u>	<u>\$ 11,858</u>	<u>\$ 1,495,000</u>	<u>\$ 199,768</u>	<u>\$ 419,489</u>	<u>\$ 25,688</u>	<u>\$ 2,129,489</u>	<u>\$ 237,314</u>

Note 6 - Other Long-Term Liabilities

A summary of the changes in other long-term liabilities for the year ended June 30, 2023, is as follows:

Purpose	Amounts Outstanding 7/1/22		Issued	Retired	Amounts Outstanding 6/30/23		Due in One Year
Century Business Products							
Finance Lease - 2021	\$ 12,489	\$ -	\$ -	\$ 3,796	\$ 8,693	\$ -	\$ 3,931
Marco							
Finance Lease - 2020	4,318	-	-	4,318	-	-	-
	<u>\$ 16,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,114</u>	<u>\$ 8,693</u>	<u>\$ -</u>	<u>\$ 3,931</u>

Lease payable at June 30, 2023, is comprised of the following:

Other Long-Term Liabilities

Copier lease with Century Business Products, Inc., 3.5% interest rate, monthly payments of \$348, ending September 1, 2025, paid from Capital Outlay Fund.	<u>\$ 8,693</u>
	<u><u>\$ 8,693</u></u>

The annual lease service requirements to maturity for all other long-term liabilities outstanding as of June 30, 2023, are as follows:

Year Ending June 30,	Century Business Products Finance Lease - 2021		Total	
	Principal	Interest	Principal	Interest
2024	\$ 3,931	\$ 342	\$ 3,931	\$ 342
2025	4,070	102	4,070	102
2026	692	3	692	3
	<u>\$ 8,693</u>	<u>\$ 447</u>	<u>\$ 8,693</u>	<u>\$ 447</u>

Note 7 - Restricted Net Position

The following table shows the net position restricted for other purposes as shown on the statement of net position:

Purpose	Restricted By	Amount
Capital Outlay	Law	\$ 515,346
Special Education	Law	241,168
SDRS Pension Purposes	Law	281,846
Bond Redemption	Debt Agreement	27,235
		<u><u>\$ 1,065,595</u></u>

Note 8 - Joint Ventures

The School District participates in the following joint venture:

North Central Special Education Cooperative, a multi-district cooperative service unit (Co-op) formed for the purpose of providing special education services to the member school districts. All members participate equally. Members of the Co-op are as follows:

Edmunds Central School District	Doland School District
Frederick Area School District	Leola School District
Groton Area School District	Hitchcock-Tulare School District
Langford Area School District	Warner School District
Northwestern Area School District	

The North Central Special Education Cooperative's governing board is composed of one representative from each member school district. The board is responsible for adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains no equity interest in the net position of the Co-op, but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation described above. At June 30, 2023, the North Central Special Education Cooperative had a net position of \$509,735 and no long-term debt. Financial statements are available by contacting the North Central Special Education Cooperative.

Note 9 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2023, the School District managed its risks as follows:

Employee Health Insurance

The School District 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 School District purchases insurance for risks related to torts; theft of 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.

Workers' Compensation

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provides workers' compensation insurance coverage for participating members of the pool. The School District is responsible for payment of a premium to the insurance pool along with other pool participants. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool-retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. For the year ended June 30, 2023, the pool pays the first \$500,000 of any claim per individual. The pool has reinsurance, which covers up to \$1,000,000 per individual, per incident. There was no additional assessment charged to pool members for the year ended June 30, 2023.

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

Unemployment Benefits

The School District has elected to be self-insured and retains all risk for liabilities resulting from claims for unemployment benefits.

During the year ended June 30, 2023, no claims for unemployment benefits were paid. At June 30, 2023, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

Note 10 - Interfund Transactions

During 2023, there was a transfer of \$430,000 from the Capital Outlay Fund to the Capital Projects Fund for payment on the Turf Project.

Note 11 - Pension Plan

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

Benefits Provided

SDRS has four classes of members: 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 public 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 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% joint and survivor benefit, or a 100% 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% of compensation funded by part of the employer contribution. The 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, 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% to 0.0%.

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% of salary; Class B judicial members, 9% of salary; and, Class B public safety members, 8% of salary. State statute also requires the employer to contribute an amount equal to the employee’s contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2023, 2022, and 2021, were \$109,529, \$101,005, and \$97,497, respectively, equal to the required contributions each year.

Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

At June 30, 2022, SDRS is 101.10% funded and, accordingly, has a net pension asset. The proportionate shares of the components of the net pension asset of the South Dakota Retirement System, for the School District as of the measurement period June 30, 2022, and reported by the School District as of June 30, 2023, are as follows:

Proportionate share of pension liability	\$ 9,952,075
Less proportionate share of net pension restricted for pension benefits	<u>9,958,738</u>
 Proportionate share of net pension asset	 <u><u>\$ (6,663)</u></u>

At June 30, 2023, the School District reported an asset of \$6,663 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022, and the total pension asset used to calculate the net pension asset was based on a projection of the School District’s share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the School District’s proportion was 0.070499%, which is a decrease of 0.001106% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized a reduction of pension expense of \$39,096. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 126,828	\$ 433
Changes in assumption	423,454	371,101
Net difference between projected and actual earnings on pension plan investments	-	15,967
Changes in proportion and difference between School District contributions and proportionate share of contributions	2,912	39
School District contributions subsequent to the measurement date	109,529	-
Total	\$ 662,723	\$ 387,540

There is \$109,529 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	Amount
2024	\$ 45,221
2025	93,280
2026	(105,038)
2027	132,191
Total	\$ 165,654

Actuarial Assumptions

The total pension asset in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	7.66% at entry to 3.15% after 25 years of service
Discount rate	6.50% net of plan investment expense
Future COLAs	2.10%

Mortality 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, 2022, valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

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 weighting 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, 2022, (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	100.0%	

Discount Rate

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

Sensitivity of Liability (Asset) to Changes in the Discount Rate

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

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net pension liability (asset)	\$ 1,383,427	\$ (6,663)	\$ (1,142,733)

Pension Plan Fiduciary Net Position

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

Note 12 - Commitments and Contingencies

Litigation

At June 30, 2023, the School District was not involved in any litigation.

Note 13 - Post Employment Healthcare Plan

Plan Description

The Warner School District Retiree Medical Plan is a single-employer, defined-benefit healthcare plan administered by the School District. The plan provides medical insurance benefits to eligible retirees and their spouses as permitted by SDCL 6-1-16 and 13-10-3. Benefit provisions were established and may be amended during the negotiated agreement process between district-certified staff and the governing board. The health plan does not issue separately stated stand-alone financial statements.

Benefits Provided

The contribution requirements of plan members and the School District are established and may be amended during the negotiated agreement process between district-certified staff and the governing board. An employee hired on or before June 30, 2017 (Foundation) is eligible to elect medical coverage upon retiring under the South Dakota Retirement System at age 55 with 3 years of service. An employee hired after June 30, 2017 (Generational) is eligible to elect medical coverage upon retiring under the South Dakota Retirement System at age 57 with 3 years of service. Medical benefits continue until age 65. Future retirees are not eligible for benefits.

Employees Covered by Benefit Terms

At the valuation date of June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	43
	44

Total OPEB Liability

The School District's total OPEB liability of \$152,302 as of June 30, 2023, was measured as of June 30, 2021, and was determined by an actuarial valuation as of that date. There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Actuarial Assumptions

The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	See SDRS Actuarial Assumptions
Salary increases	See SDRS Actuarial Assumptions
Discount rate	3.54 percent*
Healthcare cost trend rate	5.7% grading to 3.7% over 53 years

*Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

The plan has not had a formal actuarial experience study performed.

Other Assumptions

Mortality	97% of RP-2014 White Collar Mortality Tables for females, total dataset for males, adjusted to 2006 and projected generationally with MP-2021	
Disability	See SDRS Actuarial Assumptions	
Withdrawal	See sample rates	
Retirement	See SDRS Actuarial Assumptions	
Age Difference	Spouses same age as participants	
Retiree Plan Participation	Future Retirees Electing Coverage:	25%
	Current Retirees Electing Coverage:	Actual
Percent of Retirees Electing Family Coverage	Future Retirees Electing Coverage:	25%
	Current Retirees Electing Coverage:	Actual

Changes in the Total OPEB Liability

Balance at June 30, 2022		\$	164,951
Changes from the Prior Year			
Service cost			13,666
Interest cost			3,783
Effect of assumption changes or inputs			(23,084)
Benefit payments			<u>(7,014)</u>
Total Changes			<u>(12,649)</u>
Balance at June 30, 2023		\$	<u>152,302</u>

Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Discount rate	2.54%	3.54%	4.54%
Total OPEB Liability	\$ 168,520	\$ 152,302	\$ 138,355

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rate 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rate:

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Selected Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
Total OPEB liability	\$ 132,622	\$ 152,302	\$ 176,624

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the School District recognized an decrease of health insurance expense of approximately \$32,800 due to OPEB. At June 30, 2023, the School District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	20,847	696
	\$ 20,847	\$ 696

Deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ended June 30,	OPEB Expense
2024	\$ 2,153
2025	2,153
2026	2,153
2027	2,153
2028	2,153
Thereafter	9,386
	\$ 20,151



Required Supplementary Information
June 30, 2023

Warner School District 6-5

Warner School District 6-5
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes				
1110 Ad valorem taxes	\$ 542,238	\$ 542,238	\$ 541,155	\$ (1,083)
1120 Prior year's ad valorem taxes	4,000	4,000	2,899	(1,101)
1140 Gross receipts taxes	39,000	39,000	37,005	(1,995)
1190 Penalties and interest on taxes	1,000	1,000	686	(314)
1300 Tuition and fees	10,000	10,000	-	(10,000)
1400 Post secondary program tuition				
1500 Earnings on investments and deposits	1,000	1,000	4,130	3,130
1700 Co-curricular activities				
1710 Admissions	26,200	26,200	27,000	800
1740 Rentals	350	350	425	75
1790 Other pupil activity income	4,050	4,050	4,316	266
1900 Other revenue from local sources				
1920 Contributions and donations	1,000	1,000	352	(648)
1970 Charges for services	4,500	4,500	3,474	(1,026)
1990 Other	12,000	194,835	190,646	(4,189)
2000 Revenue from intermediate sources				
2100 County sources				
2110 County apportionment	15,000	15,000	13,988	(1,012)
2200 Revenue in lieu of taxes	50	50	-	(50)
3000 Revenue from state sources				
3100 Grants-in-aid:				
3110 Unrestricted grants-in-aid	1,857,463	1,857,463	1,860,574	3,111
4000 Revenue from federal sources				
4150-4199 Restricted grants-in-aid received from federal government through the state	126,420	126,420	71,420	(55,000)
Total revenues	2,644,271	2,827,106	2,758,070	(69,036)

Warner School District 6-5
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures				
1000 Instruction				
1100 Regular programs				
1110 Elementary	656,501	656,501	640,288	16,213
1120 Middle school	334,288	334,288	304,007	30,281
1130 High school	407,830	664,012	625,720	38,292
1200 Special programs				
1270 Educationally deprived	68,665	51,943	83,285	(31,342)
2000 Support Services				
2100 Pupils				
2120 Guidance	46,462	46,462	44,446	2,016
2130 Health	430	430	452	(22)
2200 Support services - instructional staff				
2210 Improvement of instruction	1,300	6,121	6,121	-
2220 Educational media	100,030	100,030	91,811	8,219
2300 Support services - general administration				
2310 Board of Education	28,575	32,208	31,477	731
2320 Executive administration	89,155	89,155	87,751	1,404
2400 Support services - school administration				
2410 Office of the Principal	187,932	187,932	194,239	(6,307)
2490 Other	200	200	154	46
2500 Support services - business				
2520 Fiscal services	96,985	96,985	93,439	3,546
2540 Operation and maintenance of plant	293,822	301,513	333,371	(31,858)
2550 Pupil transportation	113,761	113,761	114,072	(311)
2600 Support services - business				
2640 Staff	500	500	253	247
6000 Co-curricular activities				
6100 Male activities	65,138	74,486	77,100	(2,614)
6200 Female activities	51,227	57,136	59,701	(2,565)
6900 Combined activities	29,642	29,642	24,808	4,834
Total expenditures	<u>2,572,443</u>	<u>2,843,305</u>	<u>2,812,495</u>	<u>30,810</u>
Excess of Revenue over (under) Expenditures	<u>71,828</u>	<u>(16,199)</u>	<u>(54,425)</u>	<u>(38,226)</u>
Other Financing Sources (Uses)				
5130 Sale of surplus property	<u>200</u>	<u>200</u>	<u>3,261</u>	<u>3,061</u>
Total other financing sources (uses)	<u>200</u>	<u>200</u>	<u>3,261</u>	<u>3,061</u>
Net Change in Fund Balances	72,028	(15,999)	(51,164)	(35,165)
Fund Balance - Beginning	<u>843,204</u>	<u>843,204</u>	<u>843,204</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 915,232</u>	<u>\$ 827,205</u>	<u>\$ 792,040</u>	<u>\$ (35,165)</u>

See Notes to Required Supplementary Information – Budgetary Comparison Schedules

Warner School District 6-5

Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund
Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes				
1110 Ad valorem taxes	\$ 693,600	\$ 693,600	\$ 701,813	\$ 8,213
1120 Prior year's ad valorem taxes	1,500	1,500	1,559	59
1190 Penalties and interest on taxes	750	750	808	58
1500 Earnings on investments and deposits	700	700	314	(386)
1900 Other revenue and local sources				
1920 Contribution and donations	125,838	125,838	98,000	(27,838)
1990 Other	7,500	35,767	28,267	(7,500)
2000 Revenue from intermediate sources				
2200 Revenue in lieu of taxes	75	75	-	(75)
4000 Revenue from federal sources				
4140 Restricted grants-in-aid received directly from federal government	26,621	36,149	236,379	200,230
Total revenues	<u>856,584</u>	<u>894,379</u>	<u>1,067,140</u>	<u>172,761</u>
Expenditures				
1000 Instruction				
1100 Regular programs				
1110 Elementary	16,300	16,300	8,102	8,198
1120 Middle school	2,000	2,000	1,633	367
1130 High school	10,000	16,205	9,665	6,540
2000 Support services				
2200 Support services - instructional staff				
2220 Educational media	30,000	30,000	28,185	1,815
2500 Support services - business				
2520 Fiscal services	14,100	14,549	12,449	2,100
2530 Facilities acquisition and construction	257,000	329,503	333,286	(3,783)
2540 Operation and maintenance of plant	7,000	7,000	-	7,000
5000 Debt services	62,402	62,402	183,912	(121,510)
6000 Co-curricular activities				
6100 Male activities	8,000	8,806	14,656	(5,850)
6200 Female activities	3,500	4,792	6,642	(1,850)
Total expenditures	<u>410,302</u>	<u>491,557</u>	<u>598,530</u>	<u>(106,973)</u>
Excess of Revenue over (under) Expenditures	<u>446,282</u>	<u>402,822</u>	<u>468,610</u>	<u>65,788</u>
Other Financing Sources (Uses)				
8110 Transfers out	(250,000)	(250,000)	(430,000)	(180,000)
Total other financing sources (uses)	<u>(250,000)</u>	<u>(250,000)</u>	<u>(430,000)</u>	<u>(180,000)</u>
Net Change in Fund Balances	196,282	152,822	38,610	(114,212)
Fund Balance - Beginning	472,933	472,933	472,933	-
Fund Balance - Ending	<u>\$ 669,215</u>	<u>\$ 625,755</u>	<u>\$ 511,543</u>	<u>\$ (114,212)</u>

See Notes to Required Supplementary Information – Budgetary Comparison Schedules

Warner School District 6-5
 Budgetary Comparison Schedule – Budgetary Basis – Special Education Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes				
1110 Ad valorem taxes	\$ 277,742	\$ 277,742	\$ 269,921	\$ (7,821)
1120 Prior year's ad valorem taxes	400	400	579	179
1190 Penalties and interest on taxes	250	250	304	54
1500 Earnings on investments and deposits	400	400	313	(87)
1900 Other revenue from local sources				
1970 Charges for services	200	200	154	(46)
2000 Revenue from intermediate sources				
2200 Revenue in lieu of taxes	25	25	-	(25)
	<u>279,017</u>	<u>279,017</u>	<u>271,271</u>	<u>(7,746)</u>
Expenditures				
1000 Instruction				
1200 Special programs				
1220 Programs for special education	228,062	228,062	213,912	14,150
2000 Support services				
2100 Pupils				
2140 Psychological	8,603	8,603	8,230	373
2150 Speech pathology	20,198	20,198	21,324	(1,126)
2170 Student therapy services	18,000	18,000	42,289	(24,289)
2700 Support services - special education				
2710 Administrative costs	18,500	18,500	18,501	(1)
2730 Transportation costs	600	600	-	600
2740 Mileage to parents	1,900	1,900	-	1,900
	<u>295,863</u>	<u>295,863</u>	<u>304,256</u>	<u>(8,393)</u>
Net Change in Fund Balances	(16,846)	(16,846)	(32,985)	647
Fund Balance - Beginning	<u>272,730</u>	<u>272,730</u>	<u>272,730</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 255,884</u>	<u>\$ 255,884</u>	<u>\$ 239,745</u>	<u>\$ 647</u>

Warner School District 6-5
 Budgetary Comparison Schedule – Budgetary Basis – Northern High Tech Consortium
 Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1500 Earnings on investments and deposits	\$ 50	\$ 50	\$ 9	\$ (41)
1900 Other revenue from local sources				
1920 Contributions and donations	12,000	12,000	-	(12,000)
4000 Revenue from Federal sources				
4150-4199 Restricted grants-in-aid received from Federal government through the State	34,436	34,436	34,432	(4)
Total revenues	<u>46,486</u>	<u>46,486</u>	<u>34,441</u>	<u>(12,045)</u>
Expenditures				
1000 Instruction				
1100 Regular programs				
1130 High school	11,717	11,717	12,206	(489)
2000 Support services				
2500 Support services - business	31,327	31,327	31,471	(144)
Total expenditures	<u>43,044</u>	<u>43,044</u>	<u>43,677</u>	<u>(633)</u>
Net Change in Fund Balances	3,442	3,442	(9,236)	(12,678)
Fund Balance - Beginning	<u>8,786</u>	<u>8,786</u>	<u>8,786</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 12,228</u>	<u>\$ 12,228</u>	<u>\$ (450)</u>	<u>\$ (12,678)</u>

Note 1 - Basis of Presentation

The budgetary comparison schedules have been prepared on the modified accrual basis of accounting. The budgetary comparison schedules present expenditures for capital outlay purposes within each function while the governmental funds statement of revenues, expenditures, and changes in fund balance presents capital outlay expenditures as a separate function.

Note 2 - Budgetary Legal Requirements**Budgets and Budgetary Accounting**

The School District followed these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the first regular School Board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
6. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in Number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% of the total School District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when monies are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

Warner School District 6-5
Schedule of Employer's Share of Net Pension Liability (Asset)
Year Ended June 30, 2023

Pension Plan	Fiscal Year Ending	Employer's Percentage of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
SDRS	6/30/2023	0.0705%	\$ (6,663)	\$ 1,683,411	-0.4%	101.10%
SDRS	6/30/2022	0.0716%	(548,372)	1,624,938	-33.7%	105.52%
SDRS	6/30/2021	0.0740%	(3,215)	1,624,567	-0.2%	100.04%
SDRS	6/30/2020	0.0758%	(8,032)	1,596,171	-0.5%	100.09%
SDRS	6/30/2019	0.0761%	(1,774)	1,581,664	-0.1%	100.02%
SDRS	6/30/2018	0.0763%	(6,929)	1,551,708	-0.4%	100.1%
SDRS	6/30/2017	0.0718%	242,540	1,365,316	-17.8%	96.9%
SDRS	6/30/2016	0.0701%	(297,184)	1,279,271	-23.2%	104.1%
SDRS	6/30/2015	0.0765%	(551,358)	1,338,274	-41.2%	107.3%

Note: The information disclosed for each fiscal year is reported as of the measurement date of the net pension liability (asset), which is June 30 of the preceding fiscal year.

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
SDRS	6/30/2023	\$ 109,529	\$ 109,529	\$ -	\$ 1,825,475	6.0%
SDRS	6/30/2022	101,005	101,005	-	1,683,411	6.0%
SDRS	6/30/2021	97,497	97,497	-	1,624,938	6.0%
SDRS	6/30/2020	97,474	97,474	-	1,624,567	6.0%
SDRS	6/30/2019	95,771	95,771	-	1,596,171	6.0%
SDRS	6/30/2018	94,900	94,900	-	1,581,664	6.0%
SDRS	6/30/2017	93,103	93,103	-	1,551,708	6.0%
SDRS	6/30/2016	81,919	81,919	-	1,365,316	6.0%
SDRS	6/30/2015	76,756	76,756	-	1,279,271	6.0%

*GASB Statement No. 68 requires ten years of information to be presented in these table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

Changes from Prior Valuation

The June 30, 2022, Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2021, Actuarial Valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

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

Benefit Provision Changes

During the 2022 legislative session, no significant SDRS benefit changes were made and gaming enforcement agents became Class B public safety members.

Actuarial Assumption Changes

As a result of an experience analysis covering the period from July 1, 2016 to June 30, 2021, and presented to the SDRS Board of Trustees in April and June 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees, first effective for this June 30, 2022, actuarial valuation.

The changes to economic assumptions included increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%.

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification, and the assumption for beneficiaries was changed to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that, if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021, Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

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.

Actuarial Method Changes

Actuarial method changes with minor impact were implemented for this valuation after recommendation by Cavanaugh Macdonald Consulting as part of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Account are now calculated using the entry age normal cost method with normal costs based on the expected value of these accounts rather than the actual balance.

Warner School District 6-5
Schedule of Changes in the School District's Total OPEB Liability, Related Ratios and
Notes to Required Supplementary Information – OPEB Schedule
Year Ended June 30, 2023

	2023	2022
Service cost	\$ 13,666	\$ 13,244
Interest	3,783	3,621
Effect of plan changes	-	-
Effect of economic/demographic gains or losses	-	-
Effect of assumption changes or inputs	(23,084)	864
Benefit payments	(7,014)	(6,648)
Net change in total OPEB liability	(12,649)	11,081
Total OPEB liability - beginning	164,951	153,870
Total OPEB liability - ending	\$ 152,302	\$ 164,951
Covered-employee payroll	N/A	N/A
District's total OPEB liability as a percentage of covered-employee payroll	N/A	N/A

Plan Assets

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Changes in Benefits

An employee hired on or before June 30, 2017, (Foundation) is eligible to elect medical coverage upon retiring under the South Dakota Retirement System at age 55 with 3 years of service. An employee hired after June 30, 2017 (Generational) is eligible to elect medical coverage upon retiring under the South Dakota Retirement System at age 57 with 3 years of service. Medical benefits continue until age 65. Future retirees are not eligible for benefits.

Changes in Assumptions

Estimated claim costs were updated to reflect anticipated experience pursuant to a review of the medical provisions and current premiums. The medical trend rates were changed to reflect anticipated experience under the most recent Getzen model application. The mortality improvement scale has been updated to MP-2021, the most recently published scale. Separate retirement rates were applied for Generational Members (members joining SDRS after June 30, 2017).



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

The School Board
Warner School District 6-5
Warner, 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, and each major fund of Warner School District 6-5 (the School District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Warner School District 6-5’s basic financial statements and have issued our report thereon dated June 6, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District’s internal control over financial reporting (internal control) 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 School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School District’s internal control.

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

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002, that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2023-003 to be a significant deficiency.

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 over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Warner School District 6-5's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 2023-003 .

School District's Response to Findings

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

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 entity'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. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Aberdeen, South Dakota
June 6, 2024

Current Audit Findings and Recommendations

Finding 2023-001 - Preparation of Financial Statements and Footnotes, Material Proposed Adjustments to the Financial Statements

Material Weakness

Criteria: An organization's internal control structure should provide for the recording of all necessary material adjustments and the preparation of financial statements and footnotes in accordance with generally accepted accounting principles.

Condition: Warner School District 6-5 does not have an internal control system designed to provide for the preparation of the financial statements being audited, including required footnotes and disclosures and all necessary material audit adjustments, in accordance with generally accepted accounting principles.

Cause: The limited size of the School District's staff and resources causes the inability to prepare the financial statements and footnotes and causes the need for auditors to, at times, propose material journal entries.

Effect: This condition may affect the School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. It may also affect the condition of financial information throughout the year being used by management in analysis and decision making and increase the risk that potential misstatements remain present in the financial statements.

Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials: Management agrees with the finding.

Finding 2023-002 - Lack of Segregation of Duties

Material Weakness

Criteria: A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition: Warner School District 6-5 has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in expenditures and payroll functions because of a lack of segregation of duties.

Cause: The School District has insufficient number of staff to adequately separate duties in all areas.

Effect: This condition increases the risk that fraud or errors might occur and not be detected in the financial reporting process.

Recommendation: Although it is recognized that the number of office staff may not be large enough to permit an adequate segregation of duties in all respects, it is important that management and those charged with governance be aware of this condition. We recommend that the School Board exercise adequate oversight of the accounting function.

Views of Responsible Officials: Management agrees with the finding.

Finding 2023-003 Noncompliance with State Law - Overspending of Capital Outlay Fund Budget

Significant Deficiency and Material Noncompliance with State Laws

Criteria: The School District should be setting a budget for the Capital Outlay Fund to budget for costs of the expected debt payments and propose budget amendments, as needed, to address additional payments required from the fund.

Condition: For 2023, the School District overspent the Capital Outlay Fund budget; however, the School District was under budget in revenue, which will offset all of the overspending.

Cause: The School District overspent the Capital Outlay Fund based on a debt payment for the Turf project that initially was budgeted to be paid from the Capital Project Fund.

Effect: Overspending of budgets can occur without the proper monitoring, resulting in noncompliance with state law.

Recommendation: We recommend the budget is monitored throughout the year and in the month of June to determine if budget amendments will be needed for the additional expenditures.

Views of Responsible Officials: Management agrees with the finding.