



Financial Statements
June 30, 2021

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

We have audited the accompanying 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, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the School District as of June 30, 2021, 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.

Change in Accounting Principle

As discussed in Notes 1 and 14 to the financial statements, the School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules of employer's share of net pension liability (asset), employer's contributions, and budgetary comparison schedules on pages 37 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion nor provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2022, 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
June 17, 2022

Warner School District 6-5
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,536,145	\$ 4,513	\$ 1,540,658
Investments	813,997	-	813,997
Taxes receivable	708,045	-	708,045
Inventories	-	4,272	4,272
Net pension asset	3,111	104	3,215
Other assets	92,315	-	92,315
Capital assets			
Land and land improvements	43,728	-	43,728
Construction in progress	367,288	-	367,288
Other capital assets, net of depreciation	6,959,699	23,274	6,982,973
Total assets	<u>10,524,328</u>	<u>32,163</u>	<u>10,556,491</u>
Deferred Outflows of Resources			
Pension related deferred outflows	499,422	16,830	516,252
	<u>\$ 11,023,750</u>	<u>\$ 48,993</u>	<u>\$ 11,072,743</u>
Liabilities			
Accounts payable	\$ 277,168	\$ 227	\$ 277,395
Other current liabilities	271,442	15,442	286,884
Noncurrent liabilities:			
Due within one year	209,109	-	209,109
Due in more than one year	1,834,318	-	1,834,318
Total liabilities	<u>2,592,037</u>	<u>15,669</u>	<u>2,607,706</u>
Deferred Inflows of Resources			
Pension related deferred inflows	408,069	13,751	421,820
Taxes levied for future period	831,716	-	831,716
Total deferred inflows of resources	<u>1,239,785</u>	<u>13,751</u>	<u>1,253,536</u>
Net Position			
Net investment in capital assets	5,327,288	23,274	5,350,562
Restricted for			
Capital Outlay	646,202	-	646,202
Special Education	283,930	-	283,930
SDRS Benefits	94,464	3,183	97,647
Bond Redemption	24,292	-	24,292
Northern High Tech Consortium	6,489	-	6,489
Unrestricted (Deficit)	809,263	(6,884)	802,379
Total net position	<u>7,191,928</u>	<u>19,573</u>	<u>7,211,501</u>
	<u>\$ 11,023,750</u>	<u>\$ 48,993</u>	<u>\$ 11,072,743</u>

Warner School District 6-5
Statement of Activities
Year Ended June 30, 2021

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	\$ 1,945,873	\$ 4,120	\$ 302,439	\$ -	\$ (1,639,314)	\$ -	\$ (1,639,314)
Support services	1,312,140	6,073	-	-	(1,306,067)	-	(1,306,067)
Nonprogrammed charges	468	-	-	-	(468)	-	(468)
*Interest on long-term debt	85,690	-	-	-	(85,690)	-	(85,690)
Co-curricular activities	272,855	27,572	-	-	(245,283)	-	(245,283)
Total governmental activities	<u>3,617,026</u>	<u>37,765</u>	<u>302,439</u>	<u>-</u>	<u>(3,276,822)</u>	<u>-</u>	<u>(3,276,822)</u>
Business-type activities							
Food service	179,615	120,292	-	-	-	(59,323)	(59,323)
Preschool	1,602	3,186	-	-	-	1,584	1,584
Drivers education	15,864	15,555	-	-	-	(309)	(309)
Total business-type activities	<u>197,081</u>	<u>139,033</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58,048)</u>	<u>(58,048)</u>
Total primary government	<u>\$ 3,814,107</u>	<u>\$ 176,798</u>	<u>\$ 302,439</u>	<u>\$ -</u>	<u>(3,276,822)</u>	<u>(58,048)</u>	<u>(3,334,870)</u>
General Revenues							
Taxes							
Property taxes					1,656,124	-	1,656,124
Gross receipts taxes					37,715	-	37,715
Revenue from state sources:							
State aid					1,637,602	-	1,637,602
Other					-	773	773
Revenue from federal sources					644	40,967	41,611
Unrestricted investment earnings					12,380	28	12,408
Other general revenues					218,398	-	218,398
Transfers					(30,000)	30,000	-
Loss on Sale of Surplus Property					(43)	-	(43)
Total general revenues, transfers and sale of surplus property					<u>3,532,820</u>	<u>71,768</u>	<u>3,604,588</u>
Change in Net Position					<u>255,998</u>	<u>13,720</u>	<u>269,718</u>
Net Position - Beginning - As Previously Reported					6,766,448	5,853	6,772,301
Restatement - GASB 84					169,482	-	169,482
Net Position - Beginning - As Restated					<u>6,935,930</u>	<u>5,853</u>	<u>6,941,783</u>
Net Position - Ending					<u>\$ 7,191,928</u>	<u>\$ 19,573</u>	<u>\$ 7,211,501</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, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Northern High Tech Consortium	Total Funds
Assets						
Cash and cash equivalents	\$ 666,819	\$ 491,476	\$ 337,297	\$ 34,064	\$ 6,489	\$ 1,536,145
Investments	357,690	456,307	-	-	-	813,997
110 Taxes receivable - current	249,002	287,677	114,062	52,949	-	703,690
112 Taxes receivable - delinquent	2,188	1,404	509	254	-	4,355
140 Due from other government	61,205	-	-	-	1,000	62,205
191 Deposits	15,016	-	-	-	-	15,016
192 Prepaid insurance expense	13,615	-	1,479	-	-	15,094
	<u>\$ 1,365,535</u>	<u>\$ 1,236,864</u>	<u>\$ 453,347</u>	<u>\$ 87,267</u>	<u>\$ 7,489</u>	<u>\$ 3,150,502</u>
Liabilities						
402 Accounts payable	\$ 19,087	\$ 248,512	\$ 8,569	\$ -	\$ 1,000	\$ 277,168
404 Contracts payable	185,492	-	15,152	-	-	200,644
450 Payroll deductions, withholdings and employer matching payable	60,762	-	10,036	-	-	70,798
Total liabilities	<u>265,341</u>	<u>248,512</u>	<u>33,757</u>	<u>-</u>	<u>1,000</u>	<u>548,610</u>
Deferred Inflows of Resources						
551 Unavailable revenue - delinquent property taxes	2,188	1,404	509	254	-	4,355
551 Taxes levied for a future period	290,931	342,150	135,660	62,975	-	831,716
Total deferred inflows of resources	<u>293,119</u>	<u>343,554</u>	<u>136,169</u>	<u>63,229</u>	<u>-</u>	<u>836,071</u>
Fund Balances						
710 Nonspendable	28,631	-	1,479	-	-	30,110
720 Restricted for						
Capital Outlay	-	644,798	-	-	-	644,798
Special Education	-	-	281,942	-	-	281,942
Northern High Tech Consortium	-	-	-	-	6,489	6,489
Debt Service	-	-	-	24,038	-	24,038
760 Unassigned	778,444	-	-	-	-	778,444
Total fund balances	<u>807,075</u>	<u>644,798</u>	<u>283,421</u>	<u>24,038</u>	<u>6,489</u>	<u>1,765,821</u>
	<u>\$ 1,365,535</u>	<u>\$ 1,236,864</u>	<u>\$ 453,347</u>	<u>\$ 87,267</u>	<u>\$ 7,489</u>	<u>\$ 3,150,502</u>

Warner School District 6-5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Year Ended June 30, 2021

Total Fund Balances - Governmental Funds	\$ 1,765,821
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.	7,370,715
Long-term liabilities, including bonds payable and capital leases payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,043,427)
Assets, such as delinquent taxes receivable and amounts due that are not available to pay for current period expenditures, are deferred in the funds.	4,355
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>94,464</u>
Net Position - Governmental Funds	<u><u>\$ 7,191,928</u></u>

Warner School District 6-5

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Northern High Tech Consortium	Total Governmental Funds
Revenues						
1000 Revenue from local sources						
1100 Taxes						
1110 Ad valorem taxes	\$ 573,604	\$ 683,822	\$ 266,960	\$ 126,296	\$ -	\$ 1,650,682
1120 Prior year's ad valorem taxes	2,969	4,486	1,473	784	-	9,712
1140 Utility taxes	37,715	-	-	-	-	37,715
1190 Penalties and interest on taxes	973	1,301	468	235	-	2,977
1300 Tuition and fees	4,120	-	-	-	-	4,120
1500 Earnings on investments and deposits	5,095	6,845	367	51	22	12,380
1700 Co-curricular activities						
1710 Admissions	22,370	-	-	-	-	22,370
1740 Rentals	335	-	-	-	-	335
1790 Other pupil activity income	4,867	-	-	-	-	4,867
1900 Other revenue from local sources						
1920 Contributions and donations	1,195	3,750	-	-	-	4,945
1970 Charges for services	5,887	-	186	-	-	6,073
1990 Other	184,461	2,133	201	-	-	186,795
2000 Revenue from intermediate sources						
2100 County sources						
2110 County apportionment	13,035	-	-	-	-	13,035
2200 Revenue in lieu of taxes	44	74	29	14	-	161
3000 Revenue from state sources						
3100 Grants-in-aid						
3110 Unrestricted grants-in-aid	1,637,602	-	-	-	-	1,637,602

Warner School District 6-5

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Northern High Tech Consortium	Total Governmental Funds
4000 Revenue from federal sources						
4100 Grants-in-aid						
4120 Unrestricted grants-in-aid received from federal government through the state	115,395	41,605	-	-	-	157,000
4140 Restricted grants-in-aid received directly from federal government	-	50,561	-	-	-	50,561
4150-4199 Restricted grants-in-aid received from federal government through the state	59,807	-	-	-	30,126	89,933
4900 Other federal revenue	644	-	-	-	-	644
Total revenues	<u>2,670,118</u>	<u>794,577</u>	<u>269,684</u>	<u>127,380</u>	<u>30,148</u>	<u>3,891,907</u>
Expenditures						
1000 Instruction						
1100 Regular programs						
1110 Elementary	613,790	15,414	-	-	-	629,204
1120 Middle school	260,139	7,209	-	-	-	267,348
1130 High school	573,545	5,133	-	-	17,609	596,287
1200 Special programs						
1220 Programs for special education	-	-	195,792	-	-	195,792
1270 Educationally deprived	63,725	-	-	-	-	63,725
2000 Support services						
2100 Pupils						
2120 Guidance	41,137	-	-	-	-	41,137
2130 Health	279	-	-	-	-	279
2140 Psychological	-	-	7,530	-	-	7,530
2150 Speech pathology	-	-	19,167	-	-	19,167
2170 Student therapy services	-	-	31,364	-	-	31,364

Warner School District 6-5

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Northern High Tech Consortium	Total Governmental Funds
2200 Support services - instructional staff						
2210 Improvement of instruction	71,152	-	-	-	-	71,152
2220 Educational media	74,798	14,270	-	-	-	89,068
2300 Support services - general administration						
2310 Board of Education	26,469	-	-	-	-	26,469
2320 Executive administration	64,528	-	-	-	-	64,528
2400 Support services - school administration						
2410 Office of the Principal	185,512	-	-	-	-	185,512
2490 Other	205	-	-	-	-	205
2500 Support services - business						
2520 Fiscal services	96,441	4,200	-	-	-	100,641
2530 Facilities acquisition and construction	-	123,617	-	-	24,000	147,617
2540 Operation and maintenance of plant	280,073	-	-	-	-	280,073
2550 Pupil transportation	92,763	-	-	-	-	92,763
2600 Support services - central						
2640 Staff	319	-	-	-	-	319
2700 Support services - special education						
2710 Administrative costs	-	-	17,541	-	-	17,541
4000 Nonprogrammed charges						
4400 Payments to state - unemployment	468	-	-	-	-	468
5000 Debt services	-	167,085	-	125,018	-	292,103
6000 Co-curricular activities						
6100 Male activities	68,574	15,114	-	-	-	83,688
6200 Female activities	52,399	5,775	-	-	-	58,174
6900 Combined activities	22,536	1,707	-	-	-	24,243
7500 Capital outlay	-	715,715	-	-	-	715,715
Total expenditures	2,588,852	1,075,239	271,394	125,018	41,609	4,102,112
Excess of Revenue over (under) Expenditures	81,266	(280,662)	(1,710)	2,362	(11,461)	(210,205)

Warner School District 6-5

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Northern High Tech Consortium	Total Governmental Funds
Other Financing Sources (Uses)						
8110 Transfers out	(30,000)	-	-	-	-	(30,000)
5130 Sale of surplus property	20	-	-	-	-	20
Total other financing sources (uses)	(29,980)	-	-	-	-	(29,980)
Net Change in Fund Balances	51,286	(280,662)	(1,710)	2,362	(11,461)	(240,185)
Fund Balance - Beginning - As Previously Presented	586,307	925,460	285,131	21,676	17,950	1,836,524
Restatement - GASB 84	169,482	-	-	-	-	169,482
Fund Balance - Beginning - As Restated	755,789	925,460	285,131	21,676	17,950	2,006,006
Fund Balance - Ending	<u>\$ 807,075</u>	<u>\$ 644,798</u>	<u>\$ 283,421</u>	<u>\$ 24,038</u>	<u>\$ 6,489</u>	<u>\$ 1,765,821</u>

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, 2021

Net Change in Fund Balances - Total Governmental Funds	\$ (240,185)
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 \$715,715 exceeded depreciation of \$293,039 in the current period.	422,676
In the statement of activities, gains and losses on disposals of capital assets are reported; whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	(43)
The receipt of donated capital assets is not reported on the fund statements but is reported as a program revenue on the government-wide statements.	18,370
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	200,000
Capital lease payments are expenditures in the governmental funds, when due, but repayments reduce long-term liabilities in the statement of net position.	6,413
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."	(7,247)
Changes in the pension-related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>(143,986)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 255,998</u></u>

Warner School District 6-5
Statement of Net Position— Proprietary Funds
June 30, 2021

	Enterprise		Total
	Food Service Fund	Other Enterprise Fund	
Assets			
Current Assets			
Cash and cash equivalents	\$ 2,390	\$ 2,123	\$ 4,513
Inventory of supplies	973	-	973
Inventory of stores purchased for resale	3,299	-	3,299
Total current assets	<u>6,662</u>	<u>2,123</u>	<u>8,785</u>
Noncurrent Assets			
Net pension asset	104	-	104
Capital assets			
Machinery and equipment - local funds	97,447	-	97,447
Less accumulated depreciation	<u>(74,173)</u>	<u>-</u>	<u>(74,173)</u>
Total noncurrent assets	<u>23,378</u>	<u>-</u>	<u>23,378</u>
Deferred Outflows of Resources			
Pension related deferred outflows	16,727	103	16,830
	<u>\$ 46,767</u>	<u>\$ 2,226</u>	<u>\$ 48,993</u>
Liabilities and Net Position			
Current Liabilities			
Accounts payable	\$ -	\$ 227	\$ 227
Contracts payable	5,110	-	5,110
Payroll deductions, withholdings, and employer matching payable	612	778	1,390
Deposits payable	8,942	-	8,942
Total current liabilities	<u>14,664</u>	<u>1,005</u>	<u>15,669</u>
Deferred Inflows of Resources			
Pension related deferred inflows	13,667	84	13,751
Net Position			
Net investment in capital assets	23,274	-	23,274
Restricted for SDRS benefits	3,164	19	3,183
Unrestricted (deficit)	<u>(8,002)</u>	<u>1,118</u>	<u>(6,884)</u>
Total net position	<u>18,436</u>	<u>1,137</u>	<u>19,573</u>
	<u>\$ 46,767</u>	<u>\$ 2,226</u>	<u>\$ 48,993</u>

Warner School District 6-5
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
Year Ended June 30, 2021

	Enterprise		Total
	Food Service Fund	Other Enterprise Fund	
Operating Revenue			
Student tuition	\$ -	\$ 15,555	\$ 15,555
Food sales	120,292	-	120,292
Daycare services	-	3,186	3,186
Total operating revenue	<u>120,292</u>	<u>18,741</u>	<u>139,033</u>
Operating Expenses			
100 Salaries	59,131	14,168	73,299
200 Employee benefits	12,273	2,365	14,638
300 Purchased services	588	-	588
400 Supplies	5,244	933	6,177
461 Cost of sales - purchased	90,239	-	90,239
462 Cost of sales - donated	10,020	-	10,020
900 Depreciation	2,120	-	2,120
Total operating expenses	<u>179,615</u>	<u>17,466</u>	<u>197,081</u>
Operating Income (Loss)	<u>(59,323)</u>	<u>1,275</u>	<u>(58,048)</u>
Nonoperating Revenue			
Local sources			
1510 Investment earnings	26	2	28
State sources			
3810 Cash reimbursements	773	-	773
Federal sources			
4810 Cash reimbursements	30,947	-	30,947
4820 Donated food	10,020	-	10,020
Total nonoperating revenue	<u>41,766</u>	<u>2</u>	<u>41,768</u>
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	<u>(17,557)</u>	<u>1,277</u>	<u>(16,280)</u>
Transfers In	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Change in Net Position (Deficit)	12,443	1,277	13,720
Net Position (Deficit) - Beginning	<u>5,993</u>	<u>(140)</u>	<u>5,853</u>
Net Position - Ending	<u>\$ 18,436</u>	<u>\$ 1,137</u>	<u>\$ 19,573</u>

Warner School District 6-5
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2021

	Enterprise		
	Food Service Fund	Other Enterprise Fund	Total
Cash Flows from (used for) from Operating Activities			
Cash receipts from customers	\$ 116,641	\$ 18,741	\$ 135,382
Cash payments to employees for services	(66,198)	(15,268)	(81,466)
Cash payments to suppliers of goods or services	(93,427)	(781)	(94,208)
Net Cash from (used for) Operating Activities	<u>(42,984)</u>	<u>2,692</u>	<u>(40,292)</u>
Cash Flows from (used for) Noncapital Financing Activities			
Operating subsidies	31,720	-	31,720
Short-term borrowings from the General Fund	(16,372)	(571)	(16,943)
Transfers in	30,000	-	30,000
Net Cash Flows from (used for) Noncapital Financing Activities	<u>45,348</u>	<u>(571)</u>	<u>44,777</u>
Cash Flows from Investing Activities			
Cash received for interest	26	2	28
Net Cash from Investing Activities	<u>26</u>	<u>2</u>	<u>28</u>
Net Change in Cash and Cash Equivalents	2,390	2,123	4,513
Cash and Cash Equivalents Beginning of Year	-	-	-
Cash and Cash Equivalents End of Year	<u>\$ 2,390</u>	<u>\$ 2,123</u>	<u>\$ 4,513</u>
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities			
Operating income (loss)	\$ (59,323)	\$ 1,275	\$ (58,048)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:			
Depreciation expense	2,120	-	2,120
Value of donated commodities used	10,020	-	10,020
Change in assets and liabilities:			
Inventories	2,693	-	2,693
Pension assets and deferred outflows	(4,836)	2,063	(2,773)
Pension deferred inflows	8,780	(798)	7,982
Accounts and other payables	1,213	152	1,365
Deposits payable	(3,651)	-	(3,651)
Net Cash from (used for) Operating Activities	<u>\$ (42,984)</u>	<u>\$ 2,692</u>	<u>\$ (40,292)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	\$ 10,020	\$ -	\$ 10,020

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; and
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. The Capital Outlay, Special Education, and Northern High Tech Consortium are the special revenue funds maintained by the School District.

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.

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.

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.*

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.

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 two 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, and changes in the net pension liability (asset) not included in pension revenue/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 two 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 unavailable revenues from property taxes and other grant revenues on the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension liability (asset) not included in pension revenue/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 fund's statement of activities, revenues and expenses are classified in a manner consistent with how they are classified in the statement of cash flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities or investing activities are not reported as components of operating revenues 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 its 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	Grants and Property Taxes
Special Education Fund	Property Taxes
Northern High Tech Consortium	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. 84

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities, and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the School District resulted in activities previously reported as agency funds to be reported as governmental funds under GASB 84. The effect of the implementation of this standard on beginning net position and fund balance is disclosed in Note 14.

Note 2 - Budget Violations

The School District is prohibited by statute from spending in excess of appropriated amounts at the fund level. During 2021, the School District overspent the General Fund and Special Education Fund by \$16,776 and \$12,732, respectively. The School District will better monitor budget to actual schedules to ensure they do not overspend the adopted budget.

Note 3 - 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, 2021, the financial institutions that hold the School District's deposits were properly collateralized.

The actual bank balances at June 30, 2021, 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	1,866,152
	\$ 2,366,152

The School District's carrying amount of deposits at June 30, 2021	\$ 2,354,655
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Reconciliation of deposits to government-wide statement of net position:

Cash and cash equivalents	\$ 1,540,658
Add: Investments (Certificates of Deposit)	813,997
	\$ 2,354,655

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 4 - 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 estimates uncollectible have been established. As of June 30, 2021, the School District has amounts due from other governments, which consists of amounts due from state sources, of \$61,205 in the General Fund.

Note 5 - Changes in Capital Assets

A summary of changes in capital assets for the fiscal year ended June 30, 2021, is as follows:

Primary Government	Balance 7/1/20	Increases	Decreases	Balance 06/30/21
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 43,728	\$ -	\$ -	\$ 43,728
Construction in progress	-	367,288	-	367,288
Total not being depreciated	<u>43,728</u>	<u>367,288</u>	<u>-</u>	<u>411,016</u>
Capital assets, being depreciated				
Improvements	1,373,853	275,787	-	1,649,640
Buildings	7,671,405	-	-	7,671,405
Equipment	1,315,076	88,625	85,658	1,318,043
Library books	130,334	2,385	3,567	129,152
Total being depreciated	<u>10,490,668</u>	<u>366,797</u>	<u>89,225</u>	<u>10,768,240</u>
Total accumulated depreciation	<u>3,604,684</u>	<u>293,039</u>	<u>89,182</u>	<u>3,808,541</u>
Total capital assets being depreciated, net	<u>6,885,984</u>	<u>73,758</u>	<u>43</u>	<u>6,959,699</u>
Governmental activity capital assets, net	<u>\$ 6,929,712</u>	<u>\$ 441,046</u>	<u>\$ 43</u>	<u>\$ 7,370,715</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
Instruction	\$ 94,038
Support services	96,646
Co-curricular activities	<u>102,355</u>
Total depreciation expense - governmental activities	<u>\$ 293,039</u>

During 2021, the School District committed to a project for track resurfacing of approximately \$1.2 million of which \$835,000 was left to be paid subsequent to year-end. The School District plans to pay for this project with cash on hand.

	Balance 7/1/20	Increases	Decreases	Balance 06/30/21
Business-Type Activities				
Capital assets, being depreciated				
Equipment	\$ 97,447	\$ -	\$ -	\$ 97,447
Total accumulated depreciation	72,053	2,120	-	74,173
Total capital assets being depreciated, net	25,394	(2,120)	-	23,274
Business-type activity capital assets, net	\$ 25,394	\$ (2,120)	\$ -	\$ 23,274
Depreciation expense was charged to functions as follows:				
Business-Type Activities				
Food service				\$ 2,120

Note 6 - Long-Term Liabilities

A summary of the changes in long-term liabilities for the year ended June 30, 2021, is as follows:

Purpose	Amounts Outstanding 7/1/20	Issued	Retired	Amounts Outstanding 6/30/21	Due in One Year
General Obligation Bonds - 2009	\$ 520,000	\$ -	\$ 100,000	\$ 420,000	\$ 100,000
Capital Outlay Certificates - 2014	1,715,000	-	100,000	1,615,000	105,000
	\$ 2,235,000	\$ -	\$ 200,000	\$ 2,035,000	\$ 205,000

Debt payable at June 30, 2021, is comprised of the following:

General Obligation Bonds

General Obligation Bonds Series 2009, interest ranges from 3.25% to 5.5%, maturity dates January 1, 2016 to January 1, 2025, paid by the Bond Redemption Fund.

\$ 420,000

Capital Outlay Certificates

Capital Outlay Certificates 2014, interest ranges from .06% to 4.5%, maturity dates January 1, 2016 to January 1, 2034, paid by the Capital Outlay Fund.

1,615,000

\$ 2,035,000

Subsequent to year-end, the School District refunded the 2014 Capital Outlay Certificates to obtain a lower interest rate.

The annual debt service requirements to maturity for all debt outstanding as of June 30, 2021, are as follows:

Year Ending June 30,	General Obligation - 2009		Capital Outlay Certificates - 2014		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 100,000	\$ 19,730	\$ 105,000	\$ 56,679	\$ 205,000	\$ 76,409
2023	105,000	14,398	105,000	54,001	210,000	68,399
2024	105,000	8,832	110,000	51,070	215,000	59,902
2025	110,000	3,025	110,000	47,908	220,000	50,933
2026	-	-	115,000	44,503	115,000	44,503
2027-2031	-	-	630,000	161,120	630,000	161,120
2032-2036	-	-	440,000	30,375	440,000	30,375
	<u>\$ 420,000</u>	<u>\$ 45,985</u>	<u>\$ 1,615,000</u>	<u>\$ 445,656</u>	<u>\$ 2,035,000</u>	<u>\$ 491,641</u>

Note 7 - Other Long-Term Liabilities

A summary of the changes in other long-term liabilities for the year ended June 30, 2021, is as follows:

Purpose	Amounts Outstanding 7/1/20	Issued	Retired	Amounts Outstanding 6/30/21	Due in One Year
Century Business Products Capital Lease - 2017	\$ 3,226	\$ -	\$ 2,972	\$ 254	\$ 254
Marco Capital Lease - 2020	11,614	-	3,441	8,173	3,855
	<u>\$ 14,840</u>	<u>\$ -</u>	<u>\$ 6,413</u>	<u>\$ 8,427</u>	<u>\$ 4,109</u>

Lease payable at June 30, 2021, is comprised of the following:

Other Long-Term Liabilities

Copier lease with Century Business Products, Inc., 4.25% interest rate, monthly payments of \$254, paid from Capital Outlay Fund.	\$ 254
Copier lease with Marco, 11.41% interest rate, monthly payments of \$382, paid from Capital Outlay Fund.	<u>8,173</u>
	<u>\$ 8,427</u>

The annual lease service requirements to maturity for all leases outstanding as of June 30, 2021, are as follows:

Year Ending June 30,	Century Business Products Capital Lease - 2017		Marco Capital Lease - 2020		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 254	\$ 1	\$ 3,855	\$ 735	\$ 4,109	\$ 736
2023	-	-	4,318	272	4,318	272
	<u>\$ 254</u>	<u>\$ 1</u>	<u>\$ 8,173</u>	<u>\$ 1,007</u>	<u>\$ 8,427</u>	<u>\$ 1,008</u>

Note 8 - 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	\$ 646,202
Special Education	Law	283,930
SDRS Pension Purposes	Law	97,647
Northern High Tech Consortium	Federal Regulation	6,489
Bond Redemption	Debt Agreement	24,292
		<u>\$ 1,058,560</u>

Note 9 - 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, 2021, the North Central Special Education Cooperative had fund equity of \$376,162 and no long-term debt. Financial statements are available by contacting the North Central Special Education Cooperative.

Note 10 - 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, 2021, 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, 2021, 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, 2021.

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, 2021, no claims for unemployment benefits were paid. At June 30, 2021, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

Note 11 - Interfund Transactions

During 2021, the General Fund transferred \$30,000 to the Food Service Fund supplement operations.

Note 12 - Pension Plan

All employees working more than 20 hours per week during the school year participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple-employer, defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivors 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 the 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> or by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85, or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation 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.

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater than 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 than or equal to the accrued liabilities.

All benefits except those depending on the member's accumulated contributions are annually increased by the cost-of-living adjustment.

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members 6.0% of salary; Class B judicial members, 9.0% of salary; and Class B public safety members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2021, 2020, and 2019, were \$97,497, \$97,474, and \$95,771, 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, 2020, SDRS is 100.04% 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, 2020, and reported by the School District as of June 30, 2021, are as follows:

Proportionate share of pension liability	\$ 9,099,570
Less proportionate share of net pension restricted for pension benefits	<u>9,102,785</u>
 Proportionate share of net pension asset	 <u><u>\$ (3,215)</u></u>

At June 30, 2021, the School District reported an asset of \$3,215 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020, 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, 2020, the School District's proportion was 0.07402240%, which is a decrease of 0.0017725% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the School District recognized pension expense of \$149,197. At June 30, 2021, 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	\$ 12,298	\$ 2,518
Changes in assumption	103,551	417,625
Net difference between projected and actual earnings on pension plan investments	298,798	-
Changes in proportion and difference between School District contributions and proportionate share of contributions	4,108	1,677
School District contributions subsequent to the measurement date	<u>97,497</u>	<u>-</u>
 Total	 <u><u>\$ 516,252</u></u>	 <u><u>\$ 421,820</u></u>

There is \$97,497 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, 2022. 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
2022	\$ (37,211)
2023	(27,329)
2024	5,489
2025	55,986
Total	\$ (3,065)

Actuarial Assumptions

The total pension asset in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	6.50% at entry to 3.00% after 25 years of service
Discount rate	6.50% net of plan investment expense
Future COLAs	1.41%

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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

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

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (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%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
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)	\$ 1,247,121	\$ (3,215)	\$ (1,025,965)

Pension Plan Fiduciary Net Position

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

Note 13 - Commitments and Contingencies

Litigation

At June 30, 2021, the School District was not involved in any litigation.

Note 14 - Adoption of New Standard

As of July 1, 2020, the School District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). Certain agency funds previously accounted for under fiduciary activities that are not considered fiduciary in nature and are now reported in the General Fund.

The School District restated the net position and fund balance of the funds indicated below to appropriately reflect the July 1, 2020, balances as follows:

	Governmental Activities	General Fund
Net position/ fund balance at July 1, 2020, as previously reported	\$ 6,766,448	\$ 586,307
Reclassification of student activity funds and scholarship funds from fiduciary funds to the General Fund	169,482	169,482
Net position/fund balance at July 1, 2020, as restated	\$ 6,935,930	\$ 755,789

Note 15 - Subsequent Events

Subsequent to year-end, the School District has committed approximately \$907,000 for an artificial turf project, approximately \$70,000 for the fire alarm system phase 2 project, and approximately \$70,000 for the elementary roof project. The projects are expected to be funded through various contributions and donations and existing cash on hand.



Required Supplementary Information
June 30, 2021

Warner School District 6-5

Warner School District 6-5
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2021

	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	\$ 558,505	\$ 558,505	\$ 573,604	\$ 15,099
1120 Prior year's ad valorem taxes	4,000	4,000	2,969	(1,031)
1140 Gross receipts taxes	39,000	39,000	37,715	(1,285)
1190 Penalties and interest on taxes	1,000	1,000	973	(27)
1300 Tuition and fees	6,500	6,500	4,120	(2,380)
1400 Post secondary program tuition				
1500 Earnings on investments and deposits	1,000	1,000	5,095	4,095
1700 Co-curricular activities				
1710 Admissions	26,200	26,200	22,370	(3,830)
1740 Rentals	350	350	335	(15)
1790 Other pupil activity income	4,550	4,550	4,867	317
1900 Other revenue from local sources				
1920 Contributions and donations	1,000	1,000	1,195	195
1970 Charges for services	2,500	2,500	5,887	3,387
1990 Other	14,000	187,142	184,461	(2,681)
2000 Revenue from intermediate sources				
2100 County sources				
2110 County apportionment	15,000	15,000	13,035	(1,965)
2200 Revenue in lieu of taxes	50	50	44	(6)
3000 Revenue from state sources				
3100 Grants-in-aid:				
3110 Unrestricted grants-in-aid	1,602,293	1,602,293	1,637,602	35,309
4000 Revenue from federal sources				
4100 Grants-in-aid				
4120 Unrestricted grants-in-aid received from federal government through the state	-	-	115,395	115,395
4150-4199 Restricted grants-in-aid received from federal government through the state	-	-	59,807	59,807
4900 Other federal revenue	60,307	60,307	644	(59,663)
Total revenues	<u>2,336,255</u>	<u>2,509,397</u>	<u>2,670,118</u>	<u>160,721</u>

Warner School District 6-5
Budgetary Comparison Schedule – Budgetary Basis – General Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures				
1000 Instruction				
1100 Regular programs				
1110 Elementary	582,632	589,810	613,790	(23,980)
1120 Middle school	285,927	285,927	260,139	25,788
1130 High school	371,652	552,008	573,545	(21,537)
1200 Special programs				
1270 Educationally deprived	59,807	59,807	63,725	(3,918)
2000 Support Services				
2100 Pupils				
2120 Guidance	41,011	41,011	41,137	(126)
2130 Health	430	430	279	151
2200 Support services - instructional staff				
2210 Improvement of instruction	1,300	71,972	71,152	820
2220 Educational media	81,142	81,142	74,798	6,344
2300 Support services - general administration				
2310 Board of Education	27,575	27,575	26,469	1,106
2320 Executive administration	66,165	66,165	64,528	1,637
2400 Support services - school administration				
2410 Office of the Principal	179,647	179,647	185,512	(5,865)
2490 Other	200	200	205	(5)
2500 Support services - business				
2520 Fiscal services	93,108	93,108	96,441	(3,333)
2540 Operation and maintenance of plant	268,506	271,983	280,073	(8,090)
2550 Pupil transportation	104,784	104,784	92,763	12,021
2600 Support services - business				
2640 Staff	500	500	319	181
4000 Nonprogrammed charges				
4400 Payments to state - unemployment	-	-	468	(468)
6000 Co-curricular activities				
6100 Male activities	65,138	65,138	68,574	(3,436)
6200 Female activities	51,227	51,227	52,399	(1,172)
6900 Combined activities	29,642	29,642	22,536	7,106
Total expenditures	<u>2,310,393</u>	<u>2,572,076</u>	<u>2,588,852</u>	<u>(16,776)</u>
Excess of Revenue over (under) Expenditures	<u>25,862</u>	<u>(62,679)</u>	<u>81,266</u>	<u>143,945</u>
Other Financing Sources (Uses)				
5110 Transfers in	50,000	165,396	-	(165,396)
8110 Transfers out	-	-	(30,000)	(30,000)
5130 Sale of surplus property	200	200	20	(180)
Total other financing sources (uses)	<u>50,200</u>	<u>165,596</u>	<u>(29,980)</u>	<u>(195,576)</u>
Net Change in Fund Balances	<u>76,062</u>	<u>102,917</u>	<u>51,286</u>	<u>(51,631)</u>
Fund Balance - Beginning - As Previously Presented	586,307	586,307	586,307	-
Restatement - GASB 68	169,482	169,482	169,482	-
Fund Balance - Beginning - As Restated	<u>755,789</u>	<u>755,789</u>	<u>755,789</u>	-
Fund Balance - Ending	<u>\$ 662,369</u>	<u>\$ 689,224</u>	<u>\$ 807,075</u>	<u>\$ (51,631)</u>

Warner School District 6-5
 Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund
 Year Ended June 30, 2021

	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	\$ 681,000	\$ 681,000	\$ 683,822	\$ 2,822
1120 Prior year's ad valorem taxes	1,500	1,500	4,486	2,986
1190 Penalties and interest on taxes	750	750	1,301	551
1500 Earnings on investments and deposits	700	700	6,845	6,145
1900 Other revenue and local sources				
1920 Contribution and donations	5,000	5,000	3,750	(1,250)
1990 Other	7,500	7,500	2,133	(5,367)
2000 Revenue from intermediate sources				
2200 Revenue in lieu of taxes	75	75	74	(1)
4000 Revenue from federal sources				
4100 Grants-in-aid				
4120 Unrestricted grants-in-aid received from federal government through the state	-	115,395	41,605	(73,790)
4140 Restricted grants-in-aid received directly from federal government	273,974	273,974	50,561	(223,413)
4900 Other federal revenue	41,637	41,637	-	(41,637)
Total revenues	<u>1,012,136</u>	<u>1,127,531</u>	<u>794,577</u>	<u>(332,954)</u>
Expenditures				
1000 Instruction				
1100 Regular programs				
1110 Elementary	9,800	9,800	15,414	(5,614)
1120 Middle school	3,500	3,500	7,209	(3,709)
1130 High school	4,400	4,400	5,133	(733)
2000 Support services				
2200 Support services - instructional staff				
2220 Educational media	19,700	19,700	16,655	3,045
2500 Support services - business				
2520 Fiscal services	4,100	4,100	4,200	(100)
2530 Facilities acquisition and construction	319,000	717,495	760,147	(42,652)
2540 Operation and maintenance of plant	7,000	7,000	6,800	200
2550 Pupil transportation	87,000	150,000	70,000	80,000
5000 Debt services	167,565	167,565	167,085	480
6000 Co-curricular activities				
6100 Male activities	11,000	11,000	15,114	(4,114)
6200 Female activities	2,000	2,000	5,775	(3,775)
6900 Combined activities	1,700	1,700	1,707	(7)
Total expenditures	<u>636,765</u>	<u>1,098,260</u>	<u>1,075,239</u>	<u>23,021</u>
Excess of Revenue over (under) Expenditures	<u>375,371</u>	<u>29,271</u>	<u>(280,662)</u>	<u>(309,933)</u>
Other Financing Sources (Uses)				
8110 Transfers out	(50,000)	(165,396)	-	165,396
Total other financing sources (uses)	<u>(50,000)</u>	<u>(165,396)</u>	<u>-</u>	<u>165,396</u>
Net Change in Fund Balances	325,371	(136,125)	(280,662)	(144,537)
Fund Balance - Beginning	925,460	925,460	925,460	-
Fund Balance - Ending	<u>\$ 1,250,831</u>	<u>\$ 789,335</u>	<u>\$ 644,798</u>	<u>\$ (144,537)</u>

Warner School District 6-5
 Budgetary Comparison Schedule – Budgetary Basis – Special Education Fund
 Year Ended June 30, 2021

	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	\$ 259,433	\$ 259,433	\$ 266,960	\$ 7,527
1120 Prior year's ad valorem taxes	400	400	1,473	1,073
1190 Penalties and interest on taxes	250	250	468	218
1500 Earnings on investments and deposits	400	400	367	(33)
1900 Other revenue from local sources				
1970 Charges for services	200	200	186	(14)
1990 Other	-	-	201	201
2000 Revenue from intermediate sources				
2200 Revenue in lieu of taxes	25	25	29	4
Total revenues	<u>260,708</u>	<u>260,708</u>	<u>269,684</u>	<u>8,976</u>
Expenditures				
1000 Instruction				
1200 Special programs				
1220 Programs for special education	192,157	193,731	195,792	(2,061)
2000 Support services				
2100 Pupils				
2140 Psychological	7,585	7,585	7,530	55
2150 Speech pathology	19,306	19,306	19,167	139
2170 Student therapy services	18,000	18,000	31,364	(13,364)
2700 Support services - special education				
2710 Administrative costs	17,540	17,540	17,541	(1)
2730 Transportation costs	2,500	2,500	-	2,500
Total expenditures	<u>257,088</u>	<u>258,662</u>	<u>271,394</u>	<u>(12,732)</u>
Net Change in Fund Balances	3,620	2,046	(1,710)	21,708
Fund Balance - Beginning	<u>285,131</u>	<u>285,131</u>	<u>285,131</u>	<u>-</u>
Fund Balance - Ending	<u><u>\$ 288,751</u></u>	<u><u>\$ 287,177</u></u>	<u><u>\$ 283,421</u></u>	<u><u>\$ 21,708</u></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, capital project funds, 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, 2021

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	6/30/2021	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%

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

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.

Warner School District 6-5
Schedule of Employer's Contributions
Year Ended June 30, 2021

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	6/30/2021	\$ 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 this 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, 2020 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2019 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

Benefit Provision Changes

Legislation enacted in 2020 established a Qualified Benefit Preservation Arrangement (QBPA) under Section 415(m) of the Internal Revenue Code (IRC). The QBPA is effective July 1, 2020, and pays a portion of SDRS benefits that are restricted by IRC Section 415(b). The total benefits paid from SDRS and the QBPA will be limited to the applicable 415(b) annual limit, unreduced for early commencement if Members retire prior to age 62 and actuarially increased for late retirement up to age 70 if Members retire after age 65. The Actuarial Valuation considers benefits payable from both SDRS and the QBPA.

Legislation enacted in 2020 also brought the assets and the liabilities of the South Dakota Department of Labor and Regulation Plan into SDRS effective July 1, 2020. With the exception of the accounting results presented in Section 6 of this report, all exhibits include the assets, liabilities, and member counts of the former Department of Labor and Regulation Plan Members.

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that, if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2019, and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019, and is 1.41% as of June 30, 2020.

The changes in actuarial assumptions due to the 1.41% restricted maximum COLA decreased the Actuarial Accrued Liability by \$595 million, or 4.6% of the Actuarial Accrued Liability based on the 1.88% restricted maximum COLA.

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

Actuarial Method Changes

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



**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, 2021, 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 17, 2022.

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.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002 that we consider to be material weaknesses.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

School District's Response to Findings

Warner School District 6-5's response to the findings identified in our audit are 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 it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
June 17, 2022

Current Audit Findings and Recommendations

Finding 2021-001 - Preparation of Financial Statements and Footnotes, and 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 School District does not have adequate staff trained to prepare the financial statements and footnotes.

Effect: This condition may affect the School District's ability to report financial data consistent with the assertions of management 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 2021-002 - Lack of Segregation of Duties and Lack of Reconciliations Completed on a Timely Basis

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. Along with that, controls should be in place to complete reconciliations over all significant balances on a timely basis.

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. Also, reconciliations were not completed over accounts payable and cash on a timely basis.

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 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. We also recommend the School Board have oversight on the reconciliation process to ensure they are being completed timely.

Views of Responsible Officials: Management agrees with the finding.