

HAMLIN SCHOOL DISTRICT NO. 28-3  
SCHOOL DISTRICT OFFICIALS AND OFFICIAL NEWSPAPER  
June 30, 2015

**Board Members:**

Jill Opdahl, President  
Lynn Popham, Vice-President  
Joe Homola  
Casper Niemann  
Neal Opdahl

**Superintendent:**

Joel Jorgenson

**Business Manager:**

Terri L. Gaikowski

**Official Newspapers:**

The Dakotan

Herald Enterprise

HAMLIN SCHOOL DISTRICT NO. 28-3  
TABLE OF CONTENTS

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 <i>Government Auditing Standards</i>	1-2
Schedule of Prior Audit Findings	3
Schedule of Current Audit Findings	4
Independent Auditor's Report	5-7
Government-Wide Financial Statements:	
As of June 30, 2015:	
Statement of Net Position	8
For the Year Ended June 30, 2015:	
Statement of Activities	9
Fund Financial Statements:	
As of June 30, 2015:	
Balance Sheet – Governmental Funds	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11
For the Year Ended June 30, 2015:	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	12-14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities	15
As of June 30, 2015:	
Statement of Net Position – Proprietary Funds	16
For the Year Ended June 30, 2015:	
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	17
Statement of Cash Flows – Proprietary Funds	18-19

As of June 30, 2015:	
Statement of Net Position – Fiduciary Funds	20
For the Year Ended June 30, 2015:	
Statement of Changes in Net Position – Fiduciary Funds	21
Notes to the Financial Statements	22-40
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	41-43
Budgetary Comparison Schedule – Capital Outlay Fund	44-45
Budgetary Comparison Schedule – Special Education Fund	46
Budgetary Comparison Schedule – Pension Fund	47
Notes to the Required Supplementary Information	48
Schedule of the School District's Proportionate Share of the Net Pension Asset	49
Schedule of the School District Contributions	50

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

School Board  
Hamlin School District No. 28-3  
Hamlin County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hamlin School District No. 28-3, South Dakota (School District), as of June 30, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated August 8, 2016. The report on the governmental activities was qualified because the inventory items were not initially recorded as assets and charged to expense in the various functions of government as they are consumed. The report on the governmental activities, the business-type activities, and the major proprietary funds was qualified because the School District did not record the other postemployment benefits (OPEB) expense/expenditures and the related liabilities (assets) in the financial statements.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Current Audit Findings as item 2015-01 to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **School District's Response to Findings**

The School District's response to the finding identified in our audit is described in the accompanying Schedule of Current Audit Findings. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

*William Neale & Co., P.C.*

Watertown, South Dakota  
August 8, 2016

**HAMLIN SCHOOL DISTRICT NO. 28-3  
SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2015**

**PRIOR AUDIT FINDINGS**

**2014-01**

Finding: A material weakness was reported for a lack of segregation of duties over the revenue function. The comment has not been corrected and has been restated as current audit finding number 2015-01.

**HAMLIN SCHOOL DISTRICT NO. 28-3**  
**SCHEDULE OF CURRENT AUDIT FINDINGS**  
**For the Year Ended June 30, 2015**

**CURRENT AUDIT FINDINGS**

**2015-01**

Finding: A material weakness was reported for a lack of segregation of duties over the revenue function resulting in decreased reliability of reported financial data and increased potential for loss of public assets.

Analysis: Because the business manager and administrative secretary initiated, recorded, processed, and reported the majority of the revenue transactions during the fiscal year, there is inadequate segregation of duties over the revenue function.

Recommendation: We recommend that the school board be cognizant of this lack of segregation of duties over the revenue function and attempt to provide compensating internal controls whenever and wherever possible and practical.

Response: The school board has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. The School District is aware of this problem and is attempting to provide compensating controls whenever and wherever possible and practical.



# ***WILLIAM NEALE & CO., P.C.***

Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT**

School Board  
Hamlin School District No. 28-3  
Hamlin County, South Dakota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hamlin School District No. 28-3, South Dakota (School District), as of June 30, 2015, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

The School District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express 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 of material misstatement.

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

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

## Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Unmodified
Capital Outlay Fund	Unmodified
Special Education Fund	Unmodified
Pension Fund	Unmodified
Bond Redemption Fund	Unmodified
Food Service Fund	Qualified
Driver's Education Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

### **Basis for Qualified Opinion on Governmental Activities, Business-Type Activities, and Major Proprietary Funds**

The inventory items for governmental activities are recorded in the government-wide financial statements as expenses at the time of purchase, which is contrary to accounting principles generally accepted in the United States of America (USGAAP). USGAAP requires the inventories for governmental activities to initially be recorded as assets and charged to expense in the various functions of government as they are consumed. The amount by which this departure would affect the assets and expenses in the government-wide financial statements is not reasonably determinable.

The School District did not record the other postemployment benefits (OPEB) expense/expenditures and related liabilities (assets) in the financial statements for the governmental activities, the business-type activities, and the major proprietary funds, which is required by accounting principles generally accepted in the United States of America (USGAAP). The amount by which this departure would affect the assets, liabilities, and expense/expenditures in the financial statements is not reasonably determinable.

### **Qualified Opinions**

In our opinion, except for the matters described in the "Basis for Qualified Opinion on Governmental Activities, Business-Type Activities, and Major Proprietary Funds" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, Food Service Fund, and Driver's Education Fund of Hamlin School District No. 28-3, South Dakota, as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, Capital Outlay Fund, Special Education Fund, Pension Fund, Bond Redemption Fund, and the aggregate remaining fund information of Hamlin School District No. 28-3, South Dakota, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

**Adoption of New Accounting Standard.** As described in Note 11. to the financial statements, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in Note 11. to the financial statements, the School District has retroactively restated the previously reported Net Position in accordance with this statement. 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 Budgetary Comparison Schedules, Schedule of the School District's Proportionate Share of the Net Pension Asset, and Schedule of the School District Contributions on pages 41 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The School District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2016 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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.



Watertown, South Dakota  
August 8, 2016

HAMLIN SCHOOL DISTRICT NO. 28-3  
STATEMENT OF NET POSITION  
June 30, 2015

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 3,360,579.77	\$ 174.41	\$ 3,360,754.18
Taxes Receivable	1,589,912.79	-	1,589,912.79
Inventories	-	10,884.06	10,884.06
Other Assets	225,816.54	190.07	226,006.61
Net Pension Asset	1,108,820.04	37,927.21	1,146,747.25
Capital Assets:			
Land, Improvements and Construction in Progress	97,900.00	-	97,900.00
Other Capital Assets, Net of Depreciation	8,873,001.29	17,709.32	8,890,710.61
<b>TOTAL ASSETS</b>	<b>15,256,030.43</b>	<b>66,885.07</b>	<b>15,322,915.50</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	994,217.81	33,469.10	1,027,686.91
<b>LIABILITIES :</b>			
Bank Overdrafts	-	12,578.49	12,578.49
Accounts Payable	59,104.84	120.50	59,225.34
Other Current Liabilities	563,935.56	15,933.69	579,869.25
Noncurrent Liabilities:			
Due Within One Year	433,063.82	-	433,063.82
Due in More than One Year	3,369,627.25	578.75	3,370,206.00
<b>TOTAL LIABILITIES</b>	<b>4,425,731.47</b>	<b>29,211.43</b>	<b>4,454,942.90</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Taxes Levied for Future Period	1,563,732.03	-	1,563,732.03
Pension Related Deferred Inflows	1,284,200.54	43,926.10	1,328,126.64
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,847,932.57</b>	<b>43,926.10</b>	<b>2,891,858.67</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	5,260,901.29	17,709.32	5,278,610.61
Restricted for:			
Capital Outlay	610,839.16	-	610,839.16
Special Education	164,413.05	-	164,413.05
SDRS Pension	818,837.31	27,470.21	846,307.52
Debt Service	80,459.42	-	80,459.42
Unrestricted (Deficit)	2,041,133.97	(17,962.89)	2,023,171.08
<b>TOTAL NET POSITION</b>	<b>\$ 8,976,584.20</b>	<b>\$ 27,216.64</b>	<b>\$ 9,003,800.84</b>

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

HAMLIN SCHOOL DISTRICT NO. 28-3  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2015

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
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
Instruction	\$ 3,200,533.15	\$ 18,634.45	\$ 207,928.45	\$ -	\$ (2,973,970.25)	\$ -	\$ (2,973,970.25)
Support Services	1,883,159.96	-	48,301.13	-	(1,834,858.83)	-	(1,834,858.83)
Nonprogrammed Charges	10,945.36	-	-	-	(10,945.36)	-	(10,945.36)
*Interest on Long-term Debt	158,183.56	-	36,125.06	-	(122,058.50)	-	(122,058.50)
Cocurricular Activities	337,466.28	72,504.45	6,149.25	-	(258,812.58)	-	(258,812.58)
<b>Total Governmental Activities</b>	<b>5,590,288.31</b>	<b>91,138.90</b>	<b>298,503.89</b>	<b>-</b>	<b>(5,200,645.52)</b>	<b>-</b>	<b>(5,200,645.52)</b>
<b>Business-Type Activities:</b>							
Food Service	351,042.57	160,491.35	205,116.15	-	-	14,564.93	14,564.93
Driver's Education	8,396.71	5,280.00	75.18	-	-	(3,041.53)	(3,041.53)
<b>Total Business-Type Activities</b>	<b>359,439.28</b>	<b>165,771.35</b>	<b>205,191.33</b>	<b>-</b>	<b>-</b>	<b>11,523.40</b>	<b>11,523.40</b>
<b>Total Primary Government</b>	<b>\$ 5,949,727.59</b>	<b>\$ 256,910.25</b>	<b>\$ 503,695.22</b>	<b>\$ -</b>	<b>(5,200,645.52)</b>	<b>11,523.40</b>	<b>(5,189,122.12)</b>
<b>* 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.</b>							
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property Taxes					3,606,438.64	-	3,606,438.64
Utility Taxes					168,751.36	-	168,751.36
<b>Revenue from State Sources:</b>							
State Aid					2,011,382.00	-	2,011,382.00
Other					76,382.72	-	76,382.72
Unrestricted Investment Earnings					6,462.97	20.82	6,483.79
Other General Revenues					82,753.16	518.88	83,272.04
Transfers					(3,230.00)	3,230.00	-
<b>Total General Revenues and Transfers</b>					<b>5,948,940.85</b>	<b>3,769.70</b>	<b>5,952,710.55</b>
<b>Change in Net Position</b>					<b>748,295.33</b>	<b>15,293.10</b>	<b>763,588.43</b>
<b>Net Position - Beginning</b>					<b>7,632,879.68</b>	<b>(8,442.44)</b>	<b>7,624,437.24</b>
<b>Prior Period Adjustment - Implementation of GASBS No. 68</b>					<b>595,409.19</b>	<b>20,365.98</b>	<b>615,775.17</b>
<b>Adjusted Net Position - Beginning</b>					<b>8,228,288.87</b>	<b>11,923.54</b>	<b>8,240,212.41</b>
<b>NET POSITION - ENDING</b>					<b>\$ 8,976,584.20</b>	<b>\$ 27,216.64</b>	<b>\$ 9,003,800.84</b>

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

HAMLIN SCHOOL DISTRICT NO. 28-3  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
<b>ASSETS:</b>						
Cash and Cash Equivalents	\$ 2,349,747.17	\$ 678,115.61	\$ 222,385.04	\$ 16,246.79	\$ 79,085.16	\$ 3,345,579.77
Savings Certificates	15,000.00	-	-	-	-	15,000.00
Taxes Receivable - Current	674,628.58	535,237.50	311,224.62	53,376.47	-	1,574,467.17
Taxes Receivable - Delinquent	7,728.06	3,890.20	2,064.08	389.02	1,374.26	15,445.62
Accounts Receivable	5,381.71	-	-	-	-	5,381.71
Due from Other Governments	220,434.83	-	-	-	-	220,434.83
<b>TOTAL ASSETS</b>	<b>\$ 3,272,920.35</b>	<b>\$ 1,217,243.31</b>	<b>\$ 535,673.74</b>	<b>\$ 70,012.28</b>	<b>\$ 80,459.42</b>	<b>\$ 5,176,309.10</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Accounts Payable	\$ 43,055.42	\$ 4,930.15	\$ 11,119.27	\$ -	\$ -	\$ 59,104.84
Contracts Payable	347,627.76	-	38,210.80	-	-	385,838.56
Payroll Deductions and Withholdings and Employer Matching Payable	95,407.93	-	12,818.89	-	-	108,226.82
<b>Total Liabilities</b>	<b>486,091.11</b>	<b>4,930.15</b>	<b>62,148.96</b>	<b>-</b>	<b>-</b>	<b>553,170.22</b>
<b>Deferred Inflows of Resources:</b>						
Taxes Levied for Future Period	670,002.37	531,603.82	309,111.73	53,014.11	-	1,563,732.03
Unavailable Revenue - Property Taxes	7,665.94	3,846.99	2,043.63	384.70	1,356.81	15,298.07
Unavailable Revenue - Utility Taxes	76,131.13	-	-	-	-	76,131.13
<b>Total Deferred Inflows of Resources</b>	<b>753,799.44</b>	<b>535,450.81</b>	<b>311,155.36</b>	<b>53,398.81</b>	<b>1,356.81</b>	<b>1,655,161.23</b>
<b>Fund Balances:</b>						
<b>Restricted for:</b>						
Debt Service	-	-	-	-	79,102.61	79,102.61
Capital Outlay	-	676,862.35	-	-	-	676,862.35
Special Education	-	-	162,369.42	-	-	162,369.42
Pension	-	-	-	16,613.47	-	16,613.47
<b>Assigned for:</b>						
Subsequent Year's Budget	379,693.00	-	-	-	-	379,693.00
Unemployment	10,265.12	-	-	-	-	10,265.12
Unassigned	1,643,071.68	-	-	-	-	1,643,071.68
<b>Total Fund Balances</b>	<b>2,033,029.80</b>	<b>676,862.35</b>	<b>162,369.42</b>	<b>16,613.47</b>	<b>79,102.61</b>	<b>2,967,977.65</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 3,272,920.35</b>	<b>\$ 1,217,243.31</b>	<b>\$ 535,673.74</b>	<b>\$ 70,012.28</b>	<b>\$ 80,459.42</b>	<b>\$ 5,176,309.10</b>

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

HAMLIN SCHOOL DISTRICT NO. 28-3  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION  
 June 30, 2015

Total Fund Balances - Governmental Funds			\$ 2,967,977.65
Amounts reported for governmental activities in the statement of net position are different because:			
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.			1,108,820.04
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	Capital Assets	13,633,437.93	
	Accumulated Depreciation	<u>(4,662,536.64)</u>	8,970,901.29
Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.			994,217.81
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in governmental funds.	Capital Outlay Certificates	(3,710,000.00)	
	Accrued Leave Payable	(33,191.07)	
	Early Retirement Benefits Payable	(59,500.00)	
	Accrued Interest Payable	<u>(69,870.18)</u>	(3,872,561.25)
Assets, such as taxes receivable that are not available to pay for the current period expenditures, are deferred in governmental funds.			91,429.20
Pension related deferred inflows are components of pension asset and therefore are not reported in the funds.			<u>(1,284,200.54)</u>
Net Position - Governmental Activities			<u>\$ 8,976,584.20</u>

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

HAMLIN SCHOOL DISTRICT NO. 28-3  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
<b>Revenues:</b>						
Revenue from Local Sources:						
Taxes:						
Ad Valorem Taxes	\$ 1,452,870.35	\$ 1,174,408.82	\$ 667,225.29	\$ 117,207.76	\$ 172,785.28	\$ 3,584,497.50
Prior Years' Ad Valorem Taxes	9,704.41	4,492.29	2,239.03	449.25	1,749.64	18,634.62
Utility Taxes	162,801.09	-	-	-	-	162,801.09
Penalties and Interest on Taxes	3,878.13	2,375.79	1,252.28	237.45	831.18	8,574.83
Earnings on Investments and Deposits	5,280.59	477.60	194.57	110.48	399.73	6,462.97
Cocurricular Activities:						
Admissions	24,769.59	-	-	-	-	24,769.59
Concessions	43,364.86	-	-	-	-	43,364.86
Other Pupil Activity Income	4,370.00	-	-	-	-	4,370.00
Other Revenue from Local Sources:						
Rentals	9,364.65	-	-	-	-	9,364.65
Contributions & Donations	3,975.00	-	-	-	-	3,975.00
Charges for Services	10,732.51	-	7,901.94	-	-	18,634.45
Other	18,026.61	1,025.00	175.00	-	-	19,226.61
Revenue from Intermediate Sources:						
County Sources:						
County Apportionment	33,870.34	-	-	-	-	33,870.34
Revenue in Lieu of Taxes	4,513.86	5,303.25	3,002.35	265.53	899.07	13,984.06
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid	2,087,764.72	-	-	-	-	2,087,764.72
Restricted Grants-in-Aid	13,500.00	-	-	-	-	13,500.00
Other State Revenue	160.00	-	-	-	-	160.00
Revenue from Federal Sources:						
Restricted Grants-in-Aid Received from Federal Government Through the State	197,907.68	-	-	-	-	197,907.68
Other Federal Revenue	-	36,125.06	-	-	-	36,125.06
<b>Total Revenues</b>	<u>4,086,854.39</u>	<u>1,224,207.81</u>	<u>681,990.46</u>	<u>118,270.47</u>	<u>176,664.90</u>	<u>6,287,988.03</u>
<b>Expenditures:</b>						
Instruction:						
Regular Programs:						
Elementary	1,082,653.09	33,933.23	-	51,045.34	-	1,167,631.66
Middle School/Junior High	350,506.20	28,714.93	-	14,938.26	-	394,159.39
High School	780,254.47	52,447.72	-	33,987.92	-	866,690.11
Preschool	45,762.45	-	-	-	-	45,762.45

HAMLIN SCHOOL DISTRICT NO. 28-3  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
<b>Special Programs:</b>						
Programs for Special Education	-	-	549,178.27	-	-	549,178.27
Educationally Deprived	151,829.12	-	-	-	-	151,829.12
<b>Support Services:</b>						
<b>Pupils:</b>						
Guidance	97,787.58	-	460.56	-	-	98,248.14
Health	20,491.90	480.95	5,440.00	-	-	26,412.85
Psychological	-	-	5,537.07	-	-	5,537.07
Speech Pathology	-	-	18,264.26	-	-	18,264.26
Student Therapy Services	-	-	12,906.69	-	-	12,906.69
<b>Instructional Staff:</b>						
Improvement of Instruction	15,828.00	-	-	-	-	15,828.00
Educational Media	113,478.97	2,739.99	-	-	-	116,218.96
<b>General Administration:</b>						
Board of Education	44,383.96	-	-	-	-	44,383.96
Executive Administration	96,658.93	819.00	-	-	-	97,477.93
<b>School Administration:</b>						
Office of Principal	228,372.03	-	-	-	-	228,372.03
Other	292.15	-	-	-	-	292.15
<b>Business:</b>						
Fiscal Services	165,755.17	35,466.00	-	-	-	201,221.17
Operation and Maintenance of Plant	335,472.32	167,827.12	-	-	-	503,299.44
Pupil Transportation	302,041.42	98,415.00	-	-	-	400,456.42
Food Service	25,142.89	-	-	-	-	25,142.89
<b>Special Education:</b>						
Other Special Education Costs	-	-	1,826.46	-	-	1,826.46
<b>Nonprogrammer Charges:</b>						
Early Retirement Payments	-	-	-	16,470.36	-	16,470.36
Debt Services	-	548,587.50	-	-	334,620.00	883,207.50
<b>Cocurricular Activities:</b>						
Male Activities	44,463.21	11,597.61	-	-	-	56,060.82
Female Activities	42,709.39	-	-	-	-	42,709.39
Transportation	8,827.83	-	-	-	-	8,827.83
Combined Activities	131,042.40	9,018.92	-	-	-	140,061.32
Capital Outlay	-	140,775.33	-	-	-	140,775.33
<b>Total Expenditures</b>	<b>4,083,753.48</b>	<b>1,130,823.30</b>	<b>593,613.31</b>	<b>116,441.88</b>	<b>334,620.00</b>	<b>6,259,251.97</b>
<b>Excess of Revenues Over (Under)</b>						
<b>Expenditures</b>	<b>3,100.91</b>	<b>93,384.51</b>	<b>88,377.15</b>	<b>1,828.59</b>	<b>(157,955.10)</b>	<b>28,736.06</b>

HAMLIN SCHOOL DISTRICT NO. 28-3  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
Other Financing Sources (Uses):						
Transfers In	1,182.38	-	-	-	-	1,182.38
Sale of Surplus Property	6,000.00	307.50	-	-	-	6,307.50
Transfers Out	<u>(3,230.00)</u>	<u>(477.60)</u>	<u>(194.57)</u>	<u>(110.48)</u>	<u>(399.73)</u>	<u>(4,412.38)</u>
Total Other Financing Sources (Uses)	<u>3,952.38</u>	<u>(170.10)</u>	<u>(194.57)</u>	<u>(110.48)</u>	<u>(399.73)</u>	<u>3,077.50</u>
Net Change in Fund Balance	7,053.29	93,214.41	88,182.58	1,718.11	(158,354.83)	31,813.56
Fund Balance - Beginning	<u>2,025,976.51</u>	<u>583,647.94</u>	<u>74,186.84</u>	<u>14,895.36</u>	<u>237,457.44</u>	<u>2,936,164.09</u>
FUND BALANCE - ENDING	<u>\$ 2,033,029.80</u>	<u>\$ 676,862.35</u>	<u>\$ 162,369.42</u>	<u>\$ 16,613.47</u>	<u>\$ 79,102.61</u>	<u>\$ 2,967,977.65</u>

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

HAMLIN SCHOOL DISTRICT NO. 28-3  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds		\$ 31,813.56									
Amounts reported for governmental activities in the statement of activities are different because:											
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increases assets on the government-wide statements.		140,775.33									
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.		(378,109.34)									
Payment of principal on long-term debt is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">General Obligation Bonds</td> <td style="width: 20%; text-align: right;">330,000.00</td> <td style="width: 30%;"></td> </tr> <tr> <td>Capital Outlay Certificates</td> <td style="text-align: right;"><u>390,000.00</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">720,000.00</td> </tr> </table>	General Obligation Bonds	330,000.00		Capital Outlay Certificates	<u>390,000.00</u>				720,000.00	
General Obligation Bonds	330,000.00										
Capital Outlay Certificates	<u>390,000.00</u>										
		720,000.00									
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the fund statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".		(5,268.31)									
Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits or elect to retire early.	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Accrued Leave Payable</td> <td style="width: 20%; text-align: right;">(843.24)</td> <td style="width: 30%;"></td> </tr> <tr> <td>Early Retirement Benefits Payable</td> <td style="text-align: right;"><u>5,525.00</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">4,681.76</td> </tr> </table>	Accrued Leave Payable	(843.24)		Early Retirement Benefits Payable	<u>5,525.00</u>				4,681.76	
Accrued Leave Payable	(843.24)										
Early Retirement Benefits Payable	<u>5,525.00</u>										
		4,681.76									
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (e.g., utility taxes, pension revenue)		52,786.42									
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (e.g., accrued interest expense)		5,023.94									
Changes in the pension related deferred outflows/inflows are direct components of pension asset and are not reflected in the governmental funds.		<u>176,591.97</u>									
Change in Net Position of Governmental Activities		<u>\$ 748,295.33</u>									

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

HAMLIN SCHOOL DISTRICT NO. 28-3  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2015

	Enterprise Funds		
	Food Service Fund	Driver's Education Fund	Total
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ -	\$ 174.41	\$ 174.41
Accounts Receivable	190.07	-	190.07
Inventory of Supplies	829.24	-	829.24
Inventory of Stores Purchased for Resale	1,598.04	-	1,598.04
Inventory of Donated Food	8,456.78	-	8,456.78
<b>Total Current Assets</b>	<u>11,074.13</u>	<u>174.41</u>	<u>11,248.54</u>
Noncurrent Assets:			
Net Pension Asset	36,147.41	1,779.80	37,927.21
Capital Assets:			
Machinery and Equipment - Local Funds	173,059.61	-	173,059.61
Less: Accumulated Depreciation	<u>(155,350.29)</u>	<u>-</u>	<u>(155,350.29)</u>
<b>Total Noncurrent Assets</b>	<u>53,856.73</u>	<u>1,779.80</u>	<u>55,636.53</u>
<b>TOTAL ASSETS</b>	<u>64,930.86</u>	<u>1,954.21</u>	<u>66,885.07</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	<u>32,156.70</u>	<u>1,312.40</u>	<u>33,469.10</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Bank Overdrafts	12,578.49	-	12,578.49
Accounts Payable	120.50	-	120.50
Contracts Payable	6,603.95	-	6,603.95
Payroll Deductions and Withholdings and Employer Matching Payable	2,872.55	-	2,872.55
Deposits Payable	6,457.19	-	6,457.19
<b>Total Current Liabilities</b>	<u>28,632.68</u>	<u>-</u>	<u>28,632.68</u>
Noncurrent Liabilities:			
Accrued Leave Payable	578.75	-	578.75
<b>TOTAL LIABILITIES</b>	<u>29,211.43</u>	<u>-</u>	<u>29,211.43</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Related Deferred Inflows	<u>41,864.79</u>	<u>2,061.31</u>	<u>43,926.10</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	17,709.32	-	17,709.32
Restricted for SDRS Pension	26,439.32	1,030.89	27,470.21
Unrestricted	<u>(18,137.30)</u>	<u>174.41</u>	<u>(17,962.89)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 26,011.34</u>	<u>\$ 1,205.30</u>	<u>\$ 27,216.64</u>

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

HAMLIN SCHOOL DISTRICT NO. 28-3  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2015

	Enterprise Funds		
	Food Service Fund	Driver's Education Fund	Total
Operating Revenue:			
Foods Sales:			
Student	\$ 127,956.63	\$ -	\$ 127,956.63
Adult	15,179.00	-	15,179.00
Ala Carte	17,355.72	-	143,135.63
Other Charges for Goods and Services	-	5,280.00	5,280.00
Pension Revenue	1,526.86	75.18	1,602.04
Total Operating Revenue	<u>162,018.21</u>	<u>5,355.18</u>	<u>167,373.39</u>
Operating Expenses:			
Salaries	92,903.41	7,800.00	100,703.41
Employee Benefits	33,450.82	596.71	34,047.53
Purchased Services	11,229.84	-	11,229.84
Supplies	8,014.33	-	8,014.33
Cost of Sales - Purchased Food	155,952.02	-	155,952.02
Cost of Sales - Donated Food	41,996.87	-	41,996.87
Non-Consumable Supplies	2,379.67	-	2,379.67
Miscellaneous	2,017.74	-	2,017.74
Depreciation - Local Funds	3,097.87	-	3,097.87
Total Operating Expenses	<u>351,042.57</u>	<u>8,396.71</u>	<u>359,439.28</u>
Operating Income (Loss)	<u>(189,024.36)</u>	<u>(3,041.53)</u>	<u>(192,065.89)</u>
Nonoperating Revenue (Expense):			
Interest Earned	20.82	-	20.82
Miscellaneous	518.88	-	518.88
State Sources:			
Cash Reimbursements	2,103.57	-	2,103.57
Federal Sources:			
Cash Reimbursements	172,486.91	-	172,486.91
Donated Food	28,998.81	-	28,998.81
Total Nonoperating Revenue (Expense)	<u>204,128.99</u>	<u>-</u>	<u>204,128.99</u>
Income (Loss) Before Transfers	15,104.63	(3,041.53)	12,063.10
Transfers In	-	3,230.00	3,230.00
Change in Net Position	<u>15,104.63</u>	<u>188.47</u>	<u>15,293.10</u>
Net Position - Beginning	(8,503.56)	61.12	(8,442.44)
Prior Period Adjustment - Implementation of GASBS No. 68	19,410.27	955.71	20,365.98
Adjusted Net Position - Beginning	<u>10,906.71</u>	<u>1,016.83</u>	<u>11,923.54</u>
NET POSITION - ENDING	<u>\$ 26,011.34</u>	<u>\$ 1,205.30</u>	<u>\$ 27,216.64</u>

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

HAMLIN SCHOOL DISTRICT NO. 28-3  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2015

	Enterprise Funds		
	Food Service Fund	Driver's Education Fund	Total
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers	\$ 161,478.96	\$ 5,280.00	\$ 166,758.96
Other Cash Receipts	1,526.86	75.18	1,602.04
Payments to Suppliers	(189,960.80)	-	(189,960.80)
Payments to Employees	(139,462.09)	(8,471.89)	(147,933.98)
Other Cash Payments	(2,017.74)	-	(2,017.74)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(168,434.81)</u>	<u>(3,116.71)</u>	<u>(171,551.52)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers In	-	3,230.00	3,230.00
Miscellaneous	518.88	-	518.88
Cash Reimbursements - State	2,103.57	-	2,103.57
Cash Reimbursements - Federal	172,486.91	-	172,486.91
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>175,109.36</u>	<u>3,230.00</u>	<u>178,339.36</u>
<b>Cash Flows from Investing Activities:</b>			
Interest Earnings	20.82	-	20.82
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>20.82</u>	<u>-</u>	<u>20.82</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>\$ 6,695.37</u>	<u>\$ 113.29</u>	<u>\$ 6,808.66</u>
Cash and Cash Equivalents at Beginning of Year	\$ (19,273.86)	\$ 61.12	\$ (19,212.74)
Cash and Cash Equivalents at End of Year	<u>(12,578.49)</u>	<u>174.41</u>	<u>(12,404.08)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>\$ 6,695.37</u>	<u>\$ 113.29</u>	<u>\$ 6,808.66</u>

HAMLIN SCHOOL DISTRICT NO. 28-3  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2015

	Enterprise Funds		
	Food Service Fund	Driver's Education Fund	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	\$ (189,024.36)	\$ (3,041.53)	\$ (192,065.89)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	3,097.87	-	3,097.87
Value of Donated Commodities Used	30,233.35	-	30,233.35
Change in Assets and Liabilities:			
Receivables	43.89	-	43.89
Inventories	(313.65)	-	(313.65)
Net Pension Asset	(22,001.44)	(1,083.29)	(23,084.73)
Pension Related Deferred Outflows	(26,892.40)	(1,053.20)	(27,945.60)
Accounts and Other Payables	(307.77)	-	(307.77)
Accrued Wages Payable	(6,157.56)	-	(6,157.56)
Accrued Leave Payable	78.75	-	78.75
Deposits Payable	943.72	-	943.72
Pension Related Deferred Inflows	41,864.79	2,061.31	43,926.10
Net Cash Provided (Used) by Operating Activities	<u>\$ (168,434.81)</u>	<u>\$ (3,116.71)</u>	<u>\$ (171,551.52)</u>
Noncash Investing, Capital, and Financing Activities:			
Value of Commodities Received	\$ 28,998.81	\$ -	\$ 28,998.81

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

HAMLIN SCHOOL DISTRICT NO. 28-3  
 STATEMENT OF NET POSITION  
 FIDUCIARY FUNDS  
 June 30, 2015

	Private-Purpose Trust Funds	Agency Funds
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 31,289.68	\$ 18,907.76
Savings Certificates	361,435.14	-
Total Assets	392,724.82	18,907.76
<b>LIABILITIES:</b>		
Amounts Held for Others	-	18,907.76
Total Liabilities	-	18,907.76
<b>NET POSITION:</b>		
Held in Trust for Scholarships	\$ 392,724.82	\$ -

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

HAMLIN SCHOOL DISTRICT NO. 28-3  
 STATEMENT OF CHANGES IN NET POSITION  
 FIDUCIARY FUNDS  
 For the Year Ended June 30, 2015

	<u>Private-Purpose Trust Funds</u>
<b>ADDITIONS:</b>	
Contributions and Donations	\$ 4,087.56
Earnings on Investments and Deposits	<u>3,278.28</u>
<b>Total Additions</b>	<u>7,365.84</u>
<b>DEDUCTIONS:</b>	
Scholarships	<u>22,837.00</u>
<b>Change in Net Position</b>	(15,471.16)
<b>Net Position - Beginning</b>	<u>408,195.98</u>
<b>NET POSITION - ENDING</b>	<u>\$ 392,724.82</u>

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

HAMLIN SCHOOL DISTRICT NO. 28-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of Hamlin School District No. 28-3 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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 does not have any component units.

The School District participates in the Northeast Educational Services Cooperative with twenty-three other school districts and the Northeast Technical High School with eight other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the School District.

b. Basis of Presentation:

*Government-wide Financial Statements:*

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

The Statement of Net Position reports all financial and capital resources in a net position form (assets minus liabilities equal net position). Net position are 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.

HAMLIN SCHOOL DISTRICT NO. 28-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

**Governmental Funds:**

**General Fund** – A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the school district, excluding capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

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

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

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

**Pension Fund** – A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the School District's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is a major fund.

*Debt Service Funds* – *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.*

**The 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 Funds* – *Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met.*

HAMLIN SCHOOL DISTRICT NO. 28-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015

- a. *The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit, even if that government is not expected to make any payments, is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)*
- b. *Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.*
- c. *The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).*

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

Driver's Education Fund – A fund used to record financial transactions related to the driver's education program. This fund is financed by user charges and transfers from the General Fund. This is a major fund.

**Fiduciary Funds:**

Fiduciary funds consist of the following sub-categories and are never considered to be major funds:

*Private-Purpose Trust Funds – private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains only one private-purpose trust fund for the purpose of accounting for the assets held in a trustee capacity for scholarships.*

*Agency Funds – agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds for the purpose of accounting for the assets held in a trustee capacity for various classes and clubs within the School District. The agency funds are used to account for the revenues and expenses that are incidental to each class and club.*

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

**Measurement Focus:**

*Government-wide Financial Statements:*

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

*Fund Financial Statements:*

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

HAMLIN SCHOOL DISTRICT NO. 28-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015

**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 fund types 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 for the School District is 30 days. The revenues which are accrued at June 30, 2015 are utility taxes received through the counties and State and restricted grants-in-aid received from the Federal government through the State. Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met. Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

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

d. Interfund Eliminations and Reclassifications:

*Governmental-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.

e. Capital Assets:

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

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

HAMLIN SCHOOL DISTRICT NO. 28-3  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2015

*Government-wide Financial Statements:*

All capital assets are valued at historical cost. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

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

Depreciation of all exhaustible capital 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 financial statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ -	N/A	N/A
Buildings	\$ 50,000	Straight-line	33-50 yrs.
Improvements Other than Buildings	\$ 15,000	Straight-line	10-25 yrs.
Machinery and Equipment	\$ 5,000	Straight-line	5-12 yrs.

Land is an inexhaustible capital asset and is not depreciated.

*Fund Financial Statements:*

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

f. Long-Term Liabilities:

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

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

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

g. 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:

HAMLIN SCHOOL DISTRICT NO. 28-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015

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

h. Proprietary Funds Revenue and Expense Classifications:

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

i. Cash and Cash Equivalents:

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

j. Equity Classifications:

*Government-wide Financial Statements:*

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

1. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (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 do 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. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

k. 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.

HAMLIN SCHOOL DISTRICT NO. 28-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015

I. Fund Balance Classification Policies and Procedures:

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

Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, 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 or committed. Fund balance may be assigned by the School Board.

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

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

The School District does not have a formal minimum fund balance policy.

m. Pensions

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

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

**Deposits** – The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

**Investments** – In general, SDCL 4-5-6 permits school district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in

HAMLIN SCHOOL DISTRICT NO. 28-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015

the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

**Credit Risk**

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

As of June 30, 2015, the School District did not have any investments.

**Custodial Credit Risk – Deposits**

The risk that, in the event of a depository failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2015, the School District's deposits in financial institutions were not exposed to any custodial credit risk.

**Custodial Credit Risk - Investments**

The risk that, in the event of a failure of the counterparty to a transaction, the School District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

**Interest Rate Risk**

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

**Assignment of Investment Income**

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from deposits and investments to the General Fund, except for the Food Service Fund and private-purpose trust funds which retain its investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

**3. RECEIVABLES AND PAYABLES**

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Since all receivables are considered collectible, no allowances for estimated uncollectibles have been established.

**4. INVENTORY**

Inventory held for consumption is stated at cost.

Inventory for resale is stated at the lower of cost or market. The cost valuation method is first in, first out (FIFO). Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

In the government-wide financial statements, inventory items for governmental activities are recorded as expenses at the time of purchase, and inventory items for business-type activities are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

HAMLIN SCHOOL DISTRICT NO. 28-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015

In the governmental funds financial statements, inventory items are recorded as expenses at the time of purchase. In the proprietary funds financial statements, inventory items are initially recorded as assets and charged to expense as they are consumed.

5. PROPERTY TAXES

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred inflows of resources 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."

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2015 is as follows:

	Balance 7/1/14	Increases	Decreases	Balance 6/30/15
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 97,900.00	\$ -	\$ -	\$ 97,900.00
Total	<u>97,900.00</u>	<u>-</u>	<u>-</u>	<u>97,900.00</u>
Capital assets, being depreciated:				
Buildings	10,878,589.15	-	-	10,878,589.15
Improvements Other than Bldgs	1,185,813.12	24,709.44	-	1,210,522.56
Machinery and Equipment - Local	1,365,940.33	116,065.89	35,580.00	1,446,426.22
Total	<u>13,430,342.60</u>	<u>140,775.33</u>	<u>35,580.00</u>	<u>13,535,537.93</u>
Less: accumulated depreciation for:				
Buildings	2,759,362.58	219,163.37	-	2,978,525.95
Improvements Other than Bldgs	425,243.13	90,654.32	-	515,897.45
Machinery and Equipment	1,135,401.59	68,291.65	35,580.00	1,168,113.24
Total accumulated depreciation	<u>4,320,007.30</u>	<u>378,109.34</u>	<u>35,580.00</u>	<u>4,662,536.64</u>
Total capital assets, being Depreciated, net	<u>9,110,335.30</u>	<u>(237,334.01 )</u>	<u>-</u>	<u>8,873,001.29</u>
Governmental activity capital assets, net	<u>\$ 9,208,235.30</u>	<u>\$ (237,334.01 )</u>	<u>\$ -</u>	<u>\$ 8,970,901.29</u>

HAMLIN SCHOOL DISTRICT NO. 28-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	\$151,665.23
Support Services	130,183.00
Cocurricular Activities	<u>96,261.11</u>
Total depreciation expense – governmental activities	<u>\$378,109.34</u>

	Balance 7/1/14	Increases	Decreases	Balance 6/30/15
Business-Type Activities:				
Capital assets, being depreciated:				
Machinery and Equipment – Local	\$ 173,059.61	\$ -	\$ -	\$ 173,059.61
Less: accumulated depreciation for:				
Machinery and Equipment – Local	152,252.41	3,097.87	-	155,350.28
Total capital assets, being Depreciated, net	<u>20,807.20</u>	<u>(3,097.87 )</u>	-	<u>17,709.33</u>
Business-type activity capital assets, net	<u>\$ 20,807.20</u>	<u>\$ (3,097.87 )</u>	<u>\$ -</u>	<u>\$ 17,709.33</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Food Service	\$3,097.87
Total depreciation expense – business-type activities	<u>\$3,097.87</u>

7. LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Beginning Balance 7/1/14	Additions	Deletions	Ending Balance 6/30/15	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
General Obligation	\$ 330,000.00	\$ -	\$ 330,000.00	\$ -	\$ -
Qualified Zone Academy Bonds	500,000.00	-	50,000.00	450,000.00	50,000.00
Capital Outlay					
Certificates	<u>3,600,000.00</u>	<u>-</u>	<u>340,000.00</u>	<u>3,260,000.00</u>	<u>350,000.00</u>
Total Debt	4,430,000.00	-	720,000.00	3,710,000.00	400,000.00
Early Retirement Payable	65,025.00	9,775.00	15,300.00	59,500.00	19,125.00
Accrued Compensated Absences	<u>32,347.83</u>	<u>14,782.06</u>	<u>13,938.82</u>	<u>33,191.07</u>	<u>13,938.82</u>
Total Governmental Activities	<u>4,527,372.83</u>	<u>24,557.06</u>	<u>749,238.82</u>	<u>3,802,691.07</u>	<u>433,063.82</u>
Business-Type Activities:					
Accrued Compensated Absences	<u>500.00</u>	<u>145.00</u>	<u>66.25</u>	<u>578.75</u>	<u>-</u>
Total Primary Government	<u>\$ 4,527,872.83</u>	<u>\$ 24,702.06</u>	<u>\$ 749,305.07</u>	<u>\$ 3,803,269.82</u>	<u>\$ 433,063.82</u>

HAMLIN SCHOOL DISTRICT NO. 28-3  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2015

Liabilities payable at June 30, 2015 are comprised of the following:

Governmental Activities:

Qualified Zone Academy Bonds (QZAB):

Qualified Zone Academy Bonds, Series 2013; original amount of \$500,000; maturing September 17, 2023; interest rate at 5.29%, payable by the Capital Outlay Fund. \$ 450,000.00

Capital Outlay Certificates:

Limited Tax General Obligation Refunding Certificates, Series 2009A; original amount of \$2,260,000; maturing July 15, 2019; interest rates from 1.40% to 4.00% depending on the length of time to maturity of the individual certificates; callable on or after July 15, 2016; payable by the Capital Outlay Fund 1,155,000.00

Limited Tax General Obligation Taxable Certificates, Series 2010A; original amount of \$2,500,000; maturing July 15, 2029; interest rates from 1.75% to 6.00% depending on the length of time to maturity of the individual certificates; callable on or after July 15, 2018; payable by the Capital Outlay Fund 2,105,000.00

Early Retirement Benefits Payable:

Payable by the Pension Fund 59,500.00

Compensated Absences:

Accrued sick leave; payable by the General Fund and Special Education Fund 33,191.07

Business-Type Activities:

Compensated Absences:

Accrued sick leave; payable by the Food Service Fund 578.75

Governmental Activities:

The annual debt service requirements to maturity, except for compensated absences, for all debt outstanding as of June 30, 2015 are as follows:

Year Ending June 30,	QZAB	
	Principal	Interest
2016	\$ 50,000.00	\$ -
2017	50,000.00	-
2018	50,000.00	-
2019	50,000.00	-
2020	50,000.00	-
2021-2025	200,000.00	-
	<u>\$ 450,000.00</u>	<u>\$ -</u>

HAMLIN SCHOOL DISTRICT NO. 28-3  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2015

Year Ending June 30,	Capital Outlay Certificates		Early
	Principal	Interest	Retirement
2016	\$ 350,000.00	\$ 146,585.00	\$ 19,125.00
2017	360,000.00	134,280.00	14,875.00
2018	375,000.00	120,711.25	10,200.00
2019	385,000.00	105,863.75	5,100.00
2020	275,000.00	92,093.75	5,100.00
2021-2025	685,000.00	343,468.75	5,100.00
2026-2030	<u>830,000.00</u>	<u>127,906.25</u>	<u>-</u>
	<u>\$ 3,260,000.00</u>	<u>\$ 1,070,908.75</u>	<u>\$ 59,500.00</u>

8. EARLY RETIREMENT BENEFITS

Only certified, full-time employees who are covered under the bargaining unit and administrative team with at least twelve (12) continuous years of full-time service with the School District and who have attained the minimum age of fifty-five (55) as of the March 1, the date by which the employee's notice of intent to elect benefits and letter of resignation is required, are eligible to receive the early retirement benefits. The employee will receive monthly payments in the amount of \$425.00 commencing thirty (30) days after the last day of employment for a length of seven (7) years. In addition, if an employee retires at age 56, 57, or 58, they will still receive this benefit for a seven (7) year period. Employees may elect to retire after age 58, but the monthly benefit will only continue until age 65. At June 30, 2015, four retirees are receiving early retirement benefits, and the early retirement benefits payable is \$59,500.00. The early retirement benefits payable is recorded at the actual amount that will be paid to the retirees.

9. RESTRICTED NET POSITION

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

Fund	Restricted By	Amount
Capital Outlay	Law	\$ 610,839.16
Special Education	Law	164,413.05
SDRS Pension	-	846,307.52
Bond Redemption	Debt Covenants	<u>80,459.42</u>
Total Restricted Net Position		<u>\$ 1,702,019.15</u>

10. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2015 were as follows:

Transfers From:	Transfers To:	
	General Fund	Driver's Education
General	\$ -	\$ 3,230.00
Capital Outlay	477.60	-
Special Education	194.57	-
Pension	110.48	-
Bond Redemption	<u>399.73</u>	<u>-</u>
Total	<u>\$ 1,182.38</u>	<u>\$ 3,230.00</u>

HAMLIN SCHOOL DISTRICT NO. 28-3  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2015

The School District used transfers during the year to transfer earnings on deposits and investments from all funds, except for the Food Service Fund and private-purpose trust funds, to the General Fund. The School District transferred funds from the General Fund to the Driver's Education Fund for the payment of expenses relating to the operation of the driver's education program.

11. PRIOR PERIOD ADJUSTMENTS

The School District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. As a result, beginning net position has been restated to reflect the related net pension asset and deferred outflows of resources as of July 1, 2014 as follows:

Net Position July 1, 2014, as previously reported	\$ 7,624,437.24
Restatement for pension accounting:	
Net Pension Asset	448,769.52
Pension Related Deferred Outflows of Resources	167,005.65
Net Position July 1, 2014, as restated	\$ 8,240,212.41

12. PENSION PLAN

**Plan Information:**

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 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 <http://www.sdrs.sd.gov/publications/> 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, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

HAMLIN SCHOOL DISTRICT NO. 28-3  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2015

The annual increase in the amount of the SDRS benefits payable on each July 1<sup>st</sup> is indexed to the consumer price index (CPI) based on SDRS funded status:

- If the SDRS market value funded ratio is 100% or more – 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
  - 90.0% to 99.9% funded — 2.1% minimum and 2.8% maximum COLA
  - 80.0% to 90.0% funded — 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% -- 2.1% COLA

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. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2015, 2014, and 2013 were \$182,094.16, \$167,005.65, and \$159,328.05, respectively, equal to the required contributions each year.

**Pension Assets, Pension Revenue, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:**

At June 30, 2014, SDRS is 107.3% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of June 30, 2014 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 16,883,933.95
Less proportionate share of total pension liability	<u>15,737,186.70</u>
Proportionate share of net pension asset	<u>\$ 1,146,747.25</u>

At June 30 2015, the School District reported an asset of \$1,146,747.25 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014 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, 2014, the School District's proportion was .159169%.

For the year ended June 30, 2015, the School District recognized pension revenue of \$48,438.19. At June 30, 2015 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HAMLIN SCHOOL DISTRICT NO. 28-3  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2015

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience.	\$ 97,030.33	\$ -
Changes in assumption.	748,562.42	-
Net difference between projected and actual earnings on pension plan investments.	-	1,328,126.64
Changes in proportion and difference between District contributions and proportionate share of contributions.	-	-
School District contributions subsequent to the measurement date.	<u>182,094.16</u>	<u>-</u>
TOTAL	<u>\$ 1,027,686.91</u>	<u>\$ 1,328,126.64</u>

\$182,094.16 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension revenue as follows:

Year Ended June 30:

2016	\$ 91,122.07
2017	91,122.07
2018	91,122.07
2019	<u>209,167.81</u>
TOTAL	<u>\$ 482,534.02</u>

**Actuarial Assumptions:**

The total pension asset in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary Increases	5.83 percent at entry to 3.87 percent after 30 years of service
Investment Rate of Return	7.25 percent through 2016 and 7.50 percent thereafter, net of pension plan investment expense

Mortality rates were based on the RP-2000 Employee Mortality Table for males and females, as appropriate.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2010. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

HAMLIN SCHOOL DISTRICT NO. 28-3  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2015

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	64.0%	4.7%
Fixed Income	26.0%	1.8%
Real Estate	8.0%	5.5%
Cash	2.0%	0.8%
	-----	
Total	100%	
	=====	

**Discount Rate:**

The discount rate used to measure the total pension asset was 7.25 percent through 2016 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

**Sensitivity of asset to changes in the discount rate:**

The following presents the School District's proportionate share of net pension asset calculated using the discount rate of 7.25 percent through 2016 and 7.50 percent thereafter, as well as what the School District's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$1,133,201.97	(\$1,146,747.25)	(\$3,006,283.81)

HAMLIN SCHOOL DISTRICT NO. 28-3  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2015

**Pension Plan Fiduciary Net Position:**

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

13. JOINT VENTURES

The School District participates in the Northeast Technical High School for the purpose of providing vocational education to youth. Member districts jointly and cooperatively exercise any power common to a district board except for the authority to levy taxes and issue bonds. Any nonparticipating district would forego all present equity in equipment and facilities by non-membership.

The members of the Northeast Technical High School and their relative percentage participation in the Northeast Technical High School are as follows:

Castlewood School District No. 28-1	3.81%
Florence School District No. 14-1	3.58%
Grant-Deuel School District No. 25-3	2.39%
Great Plains Lutheran School	6.31%
Hamlin School District No. 28-3	9.49%
Henry School District No. 14-2	2.95%
Summit School District No. 54-6	2.50%
Watertown School District No. 14-4	64.71%
Waverly School District No. 14-5	4.26%

The Northeast Technical High School's governing board is composed of three Watertown school board members and one school board member from each of the remaining member school districts. This governing board is advised by an executive committee that is composed of the Northeast Technical High School's director, the superintendent of the Watertown School District and one other superintendent of a member school district that is appointed by the governing board.

The School District retains no equity in the net position of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Northeast Technical High School.

At June 30, 2015, this joint venture had total assets of \$1,311,024.86, deferred outflows of resources of \$217,214.48, total liabilities of \$98,289.71, deferred inflows of resources of \$279,602.65, and net position of \$1,150,346.98.

The School District participates in the Northeast Educational Services Cooperative, a cooperative service unit (Co-op) formed for the purpose of providing educational services to the member school districts.

The members of the Co-op and their relative percentage participation in the Co-op are as follows:

Arlington School District No. 38-1	3.93%
Britton-Hecla School District No. 45-4	6.77%
Castlewood School District No. 28-1	3.66%
Clark School District No. 12-2	5.07%
De Smet School District No. 38-2	4.39%
Deubrook School District No. 5-6	4.81%

HAMLIN SCHOOL DISTRICT NO. 28-3  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2015

Deuel School District No. 19-4	6.85%
Elkton School District No. 5-3	4.42%
Enemy Swim Day School	2.42%
Estelline School District No. 28-2	3.57%
Florence School District No. 14-1	2.88%
Grant-Deuel School District No. 25-3	1.47%
Hamlin School District No. 28-3	9.97%
Henry School District No. 14-2	2.40%
Iroquois School District No. 2-3	3.03%
Lake Preston School District No. 38-3	2.29%
Rosholt School District No. 54-4	2.93%
Sioux Valley School District No. 5-5	8.09%
Summit School District No. 54-6	2.28%
Waubay School District No. 18-3	2.33%
Waverly School District No. 14-5	2.97%
Webster School District No. 18-4	7.42%
Willow Lake School District No. 12-3	3.15%
Wilmot School District No. 54-7	2.88%

The Co-op's governing board is composed of one representative from each member school district, who is a school board member of the 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 in the net position of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from the Northeast Educational Services Cooperative.

At June 30, 2015, this joint venture had total assets of \$2,635,720.59, deferred outflows of resources of \$859,186.51, total liabilities of \$498,743.81, deferred inflows of resources of \$1,130,614.73, and net position of \$1,865,548.56.

14. 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, 2015, the School District managed its risks as follows:

Employee Health Insurance:

The School District participates, with several other educational units and related organizations in South Dakota, in the South Dakota Schools' Group Insurance Pool. This is a public entity risk pool currently operating as a common risk management and insurance program for all participants. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from its participants.

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

HAMLIN SCHOOL DISTRICT NO. 28-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015

Liability Insurance:

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

Worker's Compensation:

The School District purchases liability insurance for worker's compensation from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits:

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

The School District has assigned fund balance in the General Fund in the amount of \$10,265.12 for the payment of future unemployment benefits.

During the year ended June 30, 2015, no claims for unemployment benefits were paid. At June 30, 2015, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

15. LITIGATION

At June 30, 2015, the School District was not involved in any litigation.

**REQUIRED SUPPLEMENTARY INFORMATION**

REQUIRED SUPPLEMENTARY INFORMATION  
HAMLIN SCHOOL DISTRICT NO. 28-3  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
<b>Revenue from Local Sources:</b>				
<b>Taxes:</b>				
Ad Valorem Taxes	\$ 1,399,121.00	\$ 1,402,351.00	\$ 1,452,870.35	\$ 50,519.35
Prior Years' Ad Valorem Taxes	7,000.00	7,000.00	9,704.41	2,704.41
Utility Taxes	70,000.00	70,000.00	162,801.09	92,801.09
Penalties and Interest on Taxes	2,000.00	2,000.00	3,878.13	1,878.13
Earnings on Investments and Deposits	5,000.00	5,000.00	5,280.59	280.59
<b>Cocurricular Activities:</b>				
Admissions	15,000.00	15,000.00	24,769.59	9,769.59
Concessions	30,000.00	30,000.00	43,364.86	13,364.86
Other Pupil Activity Income	2,000.00	2,000.00	4,370.00	2,370.00
<b>Other Revenue from Local Sources:</b>				
Rentals	8,000.00	8,000.00	9,364.65	1,364.65
Contributions & Donations	4,575.00	4,575.00	3,975.00	(600.00)
Charges for Services	20,000.00	20,000.00	10,732.51	(9,267.49)
Other	12,000.00	12,000.00	18,026.61	6,026.61
<b>Revenue from Intermediate Sources:</b>				
<b>County Sources:</b>				
County Apportionment	20,000.00	20,000.00	33,870.34	13,870.34
Revenue in Lieu of Taxes	-	-	4,513.86	4,513.86
<b>Revenue from State Sources:</b>				
<b>Grants-in-Aid:</b>				
Unrestricted Grants-in-Aid	2,246,733.00	2,246,733.00	2,087,764.72	(158,968.28)
Restricted Grants-in-Aid	-	13,500.00	13,500.00	-
Other State Revenue	-	-	160.00	160.00
<b>Revenue from Federal Sources:</b>				
<b>Grants-in-Aid:</b>				
Restricted Grants-in Aid Received from Federal Government through the State	<u>170,746.00</u>	<u>193,746.00</u>	<u>197,907.68</u>	<u>4,161.68</u>
<b>Total Revenues</b>	<u>4,012,175.00</u>	<u>4,051,905.00</u>	<u>4,086,854.39</u>	<u>34,949.39</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
<b>Regular Programs:</b>				
Elementary	1,126,740.00	1,126,740.00	1,082,653.09	44,086.91
Middle School/Junior High	384,544.00	384,544.00	350,506.20	34,037.80
High School	794,379.00	794,379.00	780,254.47	14,124.53
Preschool	48,725.00	48,725.00	45,762.45	2,962.55

REQUIRED SUPPLEMENTARY INFORMATION  
HAMLIN SCHOOL DISTRICT NO. 28-3  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Special Programs:				
Educationally Deprived	153,508.00	153,508.00	151,829.12	1,678.88
Support Services:				
Pupils:				
Guidance	104,860.00	104,860.00	97,787.58	7,072.42
Health	19,897.00	19,897.00	20,491.90	(594.90)
Instructional Staff:				
Improvement of Instruction	1,500.00	15,000.00	15,828.00	(828.00)
Educational Media	122,793.00	122,793.00	113,478.97	9,314.03
General Administration:				
Board of Education	37,630.00	37,630.00	44,383.96	(6,753.96)
Executive Administration	100,597.00	100,597.00	96,658.93	3,938.07
School Administration:				
Office of Principal	246,611.00	246,611.00	228,372.03	18,238.97
Other	-	-	292.15	(292.15)
Business:				
Fiscal Services	169,689.00	169,689.00	165,755.17	3,933.83
Operation and Maintenance of Plant	340,875.00	340,875.00	335,472.32	5,402.68
Pupil Transportation	270,189.00	290,189.00	302,041.42	(11,852.42)
Food Service	-	25,200.00	25,142.89	57.11
Cocurricular Activities:				
Male Activities	43,695.00	45,095.00	44,463.21	631.79
Female Activities	50,234.00	50,234.00	42,709.39	7,524.61
Transportation	7,805.00	8,905.00	8,827.83	77.17
Combined Activities	148,361.00	148,361.00	131,042.40	17,318.60
Contingencies	30,000.00	30,000.00	-	30,000.00
Amount Transferred	-	(24,700.00)	-	(24,700.00)
<b>Total Expenditures</b>	<u>4,202,632.00</u>	<u>4,239,132.00</u>	<u>4,083,753.48</u>	<u>155,378.52</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(190,457.00)</u>	<u>(187,227.00)</u>	<u>3,100.91</u>	<u>190,327.91</u>
Other Financing Sources (Uses):				
Transfers In	-	-	1,182.38	1,182.38
Sale of Surplus Property	-	-	6,000.00	6,000.00
Transfers Out	(1,500.00)	(4,730.00)	(3,230.00)	1,500.00
<b>Total Other Financing Sources (Uses)</b>	<u>(1,500.00)</u>	<u>(4,730.00)</u>	<u>3,952.38</u>	<u>8,682.38</u>

REQUIRED SUPPLEMENTARY INFORMATION  
 HAMLIN SCHOOL DISTRICT NO. 28-3  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 GENERAL FUND  
 For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Net Change in Fund Balance	(191,957.00)	(191,957.00)	7,053.29	199,010.29
Fund Balance - Beginning	<u>2,025,976.51</u>	<u>2,025,976.51</u>	<u>2,025,976.51</u>	-
FUND BALANCE - ENDING	<u>\$ 1,834,019.51</u>	<u>\$ 1,834,019.51</u>	<u>\$ 2,033,029.80</u>	<u>\$ 199,010.29</u>

REQUIRED SUPPLEMENTARY INFORMATION  
HAMLIN SCHOOL DISTRICT NO. 28-3  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
CAPITAL OUTLAY FUND  
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,038,000.00	\$ 1,038,000.00	\$ 1,174,408.82	\$ 136,408.82
Prior Years' Ad Valorem Taxes	500.00	500.00	4,492.29	3,992.29
Penalties and Interest on Taxes	500.00	500.00	2,375.79	1,875.79
Earnings on Investments and Deposits	-	-	477.60	477.60
Other Revenue from Local Sources:				
Other	-	-	1,025.00	1,025.00
Revenue from Intermediate Sources:				
Revenue in Lieu of Taxes	-	-	5,303.25	5,303.25
Revenue from Federal Sources:				
Other Federal Revenue	<u>39,600.00</u>	<u>39,600.00</u>	<u>36,125.06</u>	<u>(3,474.94)</u>
<b>Total Revenues</b>	<u>1,078,600.00</u>	<u>1,078,600.00</u>	<u>1,224,207.81</u>	<u>145,607.81</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular Programs:				
Elementary	40,499.00	40,499.00	33,933.23	6,565.77
Middle School/Junior High	30,216.00	30,216.00	28,714.93	1,501.07
High School	61,538.00	61,538.00	52,447.72	9,090.28
Support Services:				
Pupils:				
Health	-	-	480.95	(480.95)
Instructional Staff:				
Educational Media	9,090.00	9,090.00	8,720.53	369.47
General Administration:				
Executive Administration	2,000.00	2,000.00	819.00	1,181.00
Business:				
Fiscal Services	35,000.00	35,000.00	35,466.00	(466.00)
Operation and Maintenance of Plant	312,200.00	312,200.00	205,836.56	106,363.44
Pupil Transportation	194,108.00	194,108.00	168,269.00	25,839.00
Debt Services	590,335.00	590,335.00	548,587.50	41,747.50

REQUIRED SUPPLEMENTARY INFORMATION  
 HAMLIN SCHOOL DISTRICT NO. 28-3  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 CAPITAL OUTLAY FUND  
 For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Cocurricular Activities:				
Male Activities	12,700.00	12,700.00	11,597.61	1,102.39
Combined Activities	<u>41,675.00</u>	<u>41,675.00</u>	<u>35,950.27</u>	<u>5,724.73</u>
 Total Expenditures	 <u>1,329,361.00</u>	 <u>1,329,361.00</u>	 <u>1,130,823.30</u>	 <u>198,537.70</u>
 Excess of Revenues Over (Under) Expenditures	 <u>(250,761.00)</u>	 <u>(250,761.00)</u>	 <u>93,384.51</u>	 <u>344,145.51</u>
 Other Financing Sources (Uses):				
Sale of Surplus Property	-	-	307.50	307.50
Transfers Out	<u>-</u>	<u>-</u>	<u>(477.60)</u>	<u>(477.60)</u>
 Total Other Financing Sources (Uses)	 <u>-</u>	 <u>-</u>	 <u>(170.10)</u>	 <u>(170.10)</u>
 Net Change in Fund Balance	 <u>(250,761.00)</u>	 <u>(250,761.00)</u>	 <u>93,214.41</u>	 <u>343,975.41</u>
 Fund Balance - Beginning	 <u>583,647.94</u>	 <u>583,647.94</u>	 <u>583,647.94</u>	 <u>-</u>
 FUND BALANCE - ENDING	 <u>\$ 332,886.94</u>	 <u>\$ 332,886.94</u>	 <u>\$ 676,862.35</u>	 <u>\$ 343,975.41</u>

REQUIRED SUPPLEMENTARY INFORMATION  
HAMLIN SCHOOL DISTRICT NO. 28-3  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL EDUCATION FUND  
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 541,000.00	\$ 541,000.00	\$ 667,225.29	\$ 126,225.29
Prior Years' Ad Valorem Taxes	-	-	2,239.03	2,239.03
Penalties and Interest on Taxes	500.00	500.00	1,252.28	752.28
Earnings on Investments and Deposits	-	-	194.57	194.57
Other Revenue from Local Sources:				
Charges for Services	1,000.00	1,000.00	7,901.94	6,901.94
Other	-	-	175.00	175.00
Revenue from Intermediate Sources:				
Revenue in Lieu of Taxes	-	-	3,002.35	3,002.35
<b>Total Revenues</b>	<u>542,500.00</u>	<u>542,500.00</u>	<u>681,990.46</u>	<u>139,490.46</u>
Expenditures:				
Instruction:				
Special Programs:				
Programs for Special Education	575,830.00	575,830.00	549,178.27	26,651.73
Support Services:				
Pupils:				
Guidance	545.00	545.00	460.56	84.44
Health	-	-	5,440.00	(5,440.00)
Psychological	8,710.00	8,710.00	5,537.07	3,172.93
Speech Pathology	16,675.00	16,675.00	18,264.26	(1,589.26)
Student Therapy	13,110.00	13,110.00	12,906.69	203.31
Special Education:				
Other Special Education Costs	-	-	1,826.46	(1,826.46)
<b>Total Expenditures</b>	<u>614,870.00</u>	<u>614,870.00</u>	<u>593,613.31</u>	<u>21,256.69</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(72,370.00)</u>	<u>(72,370.00)</u>	<u>88,377.15</u>	<u>160,747.15</u>
Other Financing Sources (Uses):				
Transfers In	72,370.00	72,370.00	-	(72,370.00)
Transfers Out	-	-	(194.57)	(194.57)
<b>Total Other Financing Sources (Uses)</b>	<u>72,370.00</u>	<u>72,370.00</u>	<u>(194.57)</u>	<u>(72,564.57)</u>
<b>Net Change in Fund Balance</b>	-	-	88,182.58	88,182.58
<b>Fund Balance - Beginning</b>	<u>74,186.84</u>	<u>74,186.84</u>	<u>74,186.84</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 74,186.84</u>	<u>\$ 74,186.84</u>	<u>\$ 162,369.42</u>	<u>\$ 88,182.58</u>

REQUIRED SUPPLEMENTARY INFORMATION  
 HAMLIN SCHOOL DISTRICT NO. 28-3  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 PENSION FUND  
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 106,400.00	\$ 117,900.00	\$ 117,207.76	\$ (692.24)
Prior Years' Ad Valorem Taxes	-	-	449.25	449.25
Penalties and Interest on Taxes	-	-	237.45	237.45
Earnings on Investments and Deposits	-	-	110.48	110.48
Revenue from Intermediate Sources:				
Revenue in Lieu of Taxes	-	-	265.53	265.53
<b>Total Revenues</b>	<u>106,400.00</u>	<u>117,900.00</u>	<u>118,270.47</u>	<u>370.47</u>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary	47,265.00	51,265.00	51,045.34	219.66
Middle School/Junior High	16,525.00	16,525.00	14,938.26	1,586.74
High School	29,799.00	33,599.00	33,987.92	(388.92)
Nonprogrammed Charges:				
Early Retirement Payments	12,811.00	16,511.00	16,470.36	40.64
<b>Total Expenditures</b>	<u>106,400.00</u>	<u>117,900.00</u>	<u>116,441.88</u>	<u>1,458.12</u>
Excess of Revenues Over (Under) Expenditures	-	-	1,828.59	1,828.59
Other Financing Sources (Uses):				
Transfers Out	-	-	(110.48)	(110.48)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>(110.48)</u>	<u>(110.48)</u>
<b>Net Change in Fund Balance</b>	<u>-</u>	<u>-</u>	<u>1,718.11</u>	<u>1,718.11</u>
Fund Balance - Beginning	14,895.36	14,895.36	14,895.36	-
<b>FUND BALANCE - ENDING</b>	<u>\$ 14,895.36</u>	<u>\$ 14,895.36</u>	<u>\$ 16,613.47</u>	<u>\$ 1,718.11</u>

HAMLIN SCHOOL DISTRICT NO. 28-3  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2015

1. BASIS OF PRESENTATION

The Budgetary Comparison Schedules have been prepared on the budgetary basis of accounting. The Budgetary Comparison Schedules present capital outlay expenditures within each function while the financial statements prepared in conformity with USGAAP present capital outlay expenditures as a separate function.

2. 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 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 fiduciary 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 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and each major special revenue fund.
11. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
 HAMLIN SCHOOL DISTRICT NO. 28-3  
 SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET  
 SOUTH DAKOTA RETIREMENT SYSTEM

	6/30/2015
School District's proportion of the net pension asset	0.1591690%
School District's proportionate share of net pension asset	\$ 1,146,747.25
School District's covered-employee payroll	\$ 2,783,422.96
School District's proportionate share of net pension asset as a percentage of its covered-employee payroll	41.20%
Plan fiduciary net position as a percentage of the total pension asset	107.3%

Note: The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension asset which is 6/30 of previous fiscal year.

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
 HAMLIN SCHOOL DISTRICT NO. 28-3  
 SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS  
 SOUTH DAKOTA RETIREMENT SYSTEM

	6/30/2015
Contractually required contribution	\$ 182,094.16
Contributions in relation to the contractually required contribution	182,094.16
Contribution deficiency (excess)	\$ -
School District's covered-employee payroll	\$ 3,034,883.57
Contributions as a percentage of covered-employee payroll	6.0%