

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
CENTER BOARD OFFICIALS AND OFFICIAL NEWSPAPER
June 30, 2013

Board Members:

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Jon Meyer, Vice President
Julie Kirwan
Marty Tschakert
Garry Harstad
Jill Opdahl
John Rider
Ferdy Zirbel
Dave Linngren
Jan Schull
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Watertown School District No. 14-4
Great Plains Lutheran School
Castlewood School District No. 28-1
Florence School District No. 14-1
Grant-Deuel School District No. 25-3
Hamlin School District No. 28-3
Henry School District No. 14-2
Summit School District No. 54-6
Watertown School District No. 14-4
Watertown School District No. 14-4
Waverly/South Shore School District No. 14-5

Director:

Bert Falak

Business Manager:

Terri Gaikowski (Resigned effective January 31, 2013)
Lori O' Farrell (Resigned effective January 31, 2013)
Jill Slobotski

Official Newspaper:

Watertown Public Opinion

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
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 Auditors' Report	5-6
Government-Wide Financial Statements:	
As of June 30, 2013:	
Statement of Net Position	7
For the Year Ended June 30, 2013:	
Statement of Activities	8
Fund Financial Statements:	
As of June 30, 2013:	
Balance Sheet – Governmental Funds	9
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	10
For the Year Ended June 30, 2013:	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	11-12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities	13
As of June 30, 2013:	
Statement of Net Position – Fiduciary Funds	14
Notes to the Financial Statements	15-24
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	25-26
Budgetary Comparison Schedule – Capital Outlay Fund	27
Notes to the Required Supplementary Information	28

**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**

Center Board
Lake Area Multi-District Vocational Center No. 1
Codington 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, each major fund, and the aggregate remaining fund information of Lake Area Multi-District Vocational Center No. 1, South Dakota (Center), as of June 30, 2013 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated October 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center'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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 Center'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 2013-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Current Audit Findings as item 2013-02.

Center's Response to Findings

The Center's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The Center's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Center'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
October 7, 2014

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2013

PRIOR AUDIT FINDINGS

2012-01

Finding: A material weakness was reported for a lack of segregation of duties over the revenue function. The finding has not been corrected and has been restated as current audit finding number 2013-01.

2012-02

Finding: A significant deficiency was reported for a lack of internal controls and accounting expertise in place at the Center to prevent, detect, and correct a potential misstatement when preparing the financial statements, related notes, and required supplementary information. The finding is no longer considered necessary.

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
SCHEDULE OF CURRENT AUDIT FINDINGS
June 30, 2013

CURRENT AUDIT FINDINGS

2013-01

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 initiated, recorded, processed, and reported all of the revenue transactions during the year, there is inadequate segregation of duties over the revenue function.

Recommendation: We recommend that the Center 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 Center board has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. The Center is aware of this problem and is attempting to provide compensating internal controls whenever and wherever possible and practical.

2013-02

Finding: The proposed budget together with a notice of budget hearing was not published in the designated newspaper as required by SDCL 13-11-2.

Analysis: SDCL 13-11-2 requires that the proposed budget together with a notice of budget hearing be published in the designated newspaper on or before July 15.

Recommendation: We recommend that the School publish the proposed budget together with a notice of budget hearing in the designated newspaper on or before July 15 as required by SDCL 13-11-2.

Response: The School will publish the proposed budget together with a notice of budget hearing in the designated newspaper on or before July 15 as required by SDCL 13-11-2.

INDEPENDENT AUDITOR'S REPORT

Center Board
 Lake Area Multi-District Vocational Center No. 1
 Codington County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Area Multi-District Vocational Center No. 1, South Dakota (Center), as of June 30, 2013, and for the year then ended, and the related notes to the financial statements. These financial statements collectively comprise the Center's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Center'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 Center'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 Center'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	Unmodified
General Fund	Unmodified
Capital Outlay Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Area Multi-District Vocational Center No. 1, South Dakota, as of June 30, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules on pages 25 through 28 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 Center 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 October 7, 2014 on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Center's internal control over financial reporting and compliance.

William Neale & Co., P.C.

Watertown, South Dakota
October 7, 2014

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
 STATEMENT OF NET POSITION
 June 30, 2013

	Governmental Activities
ASSETS:	
Cash and Cash Equivalents	\$ 418,909.15
Other Assets	14,679.14
Capital Assets:	
Land	31,540.00
Other Capital Assets, Net of Depreciation	339,743.06
Total Assets	804,871.35
LIABILITIES :	
Other Current Liabilities	85,374.78
Total Liabilities	85,374.78
NET POSITION:	
Net Investment in Capital Assets	371,283.06
Restricted for:	
Capital Outlay	148,216.76
Unrestricted	199,996.75
TOTAL NET POSITION	\$ 719,496.57

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

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
 STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2013

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
Primary Government:					
Governmental Activities:					
Instruction	\$ 866,085.36	\$ 1,057,751.00	\$ 20,660.00	\$ 78,298.00	\$ 290,623.64
Support Services	268,245.16	-	-	-	(268,245.16)
Cocurricular Activities	<u>1,374.09</u>	-	-	-	<u>(1,374.09)</u>
Total Governmental Activities	<u>1,135,704.61</u>	<u>1,057,751.00</u>	<u>20,660.00</u>	<u>78,298.00</u>	<u>21,004.39</u>
Total Primary Government	<u>\$ 1,135,704.61</u>	<u>\$ 1,057,751.00</u>	<u>\$ 20,660.00</u>	<u>\$ 78,298.00</u>	<u>21,004.39</u>

General Revenues:	
Unrestricted Investment Earnings	1,109.77
Other General Revenues	<u>4,080.31</u>
Total General Revenues	<u>5,190.08</u>
Change in Net Position	26,194.47
Net Position - Beginning	<u>693,302.10</u>
Net Position - Ending	<u>\$ 719,496.57</u>

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

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2013

	General Fund	Capital Outlay Fund	Total Governmental Funds
ASSETS:			
Cash and Cash Equivalents	\$ 270,692.39	\$ 148,216.76	\$ 418,909.15
Accounts Receivable	(106.86)	-	(106.86)
Due from Other Governments	14,786.00	-	14,786.00
	<u>\$ 285,371.53</u>	<u>\$ 148,216.76</u>	<u>\$ 433,588.29</u>
TOTAL ASSETS			
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Contracts Payable	\$ 65,992.07	\$ -	\$ 65,992.07
Payroll Deductions and Withholdings and Employer Matching Payable	19,382.71	-	19,382.71
	<u>85,374.78</u>	<u>-</u>	<u>85,374.78</u>
Total Liabilities			
Fund Balances:			
Restricted			
Capital Outlay	-	148,216.76	148,216.76
Assigned			
Subsequent Year's Budget	43,000.00	-	43,000.00
Unassigned	156,996.75	-	156,996.75
	<u>199,996.75</u>	<u>148,216.76</u>	<u>348,213.51</u>
Total Fund Balances			
TOTAL LIABILITIES AND FUND BALANCES			
	<u>\$ 285,371.53</u>	<u>\$ 148,216.76</u>	<u>\$ 433,588.29</u>

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

LAKE AREA MULTI DISTRICT VOCATIONAL CENTER NO. 1
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
 June 30, 2013

Total Fund Balances - Governmental Funds		\$ 348,213.51
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,269,101.26	
	Capital Assets	(897,818.20)	
	Accumulated Depreciation	<u>371,283.06</u>	
	Net		<u>371,283.06</u>

Net Position - Governmental Funds		\$ <u>719,496.57</u>
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The notes to the financial statements are an integral part of this statement.

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Tuition and Fees:			
Student Tuition	\$ 927,532.00	\$ 130,219.00	\$ 1,057,751.00
Earnings on Investments and Deposits	1,005.44	104.33	1,109.77
Other Revenue from Local Sources:			
Other	10.00	-	10.00
Revenue from Federal Sources:			
Restricted Grants-in-Aid Received from Federal Government Through the State	<u>87,788.00</u>	<u>11,170.00</u>	<u>98,958.00</u>
Total Revenues	<u>1,016,335.44</u>	<u>141,493.33</u>	<u>1,157,828.77</u>
Expenditures:			
Current:			
Instruction:			
Regular Programs:			
High School	793,945.23	15,205.95	809,151.18
Support Services:			
Instructional Staff:			
Improvement of Instruction	4,278.49	-	4,278.49
General Administration:			
Board of Education	16,969.28	-	16,969.28
Executive Administration	94,645.64	-	94,645.64
Business:			
Fiscal Services	26,269.03	789.00	27,058.03
Facilities Acquisition & Construction	-	36,140.28	36,140.28
Operation and Maintenance of Plant	29,032.53	52,163.10	81,195.63
Other Support Services	-	1,407.50	1,407.50
Cocurricular Activities:			
Combined Activities	1,374.09	-	1,374.09
Capital Outlay	<u>20,745.00</u>	<u>12,442.88</u>	<u>33,187.88</u>
Total Expenditures	<u>987,259.29</u>	<u>118,148.71</u>	<u>1,105,408.00</u>

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2013

	General Fund	Capital Outlay Fund	Total Governmental Funds
Excess of Revenues Over (Under) Expenditures	<u>29,076.15</u>	<u>23,344.62</u>	<u>52,420.77</u>
Other Financing Sources (Uses):			
Sale of Surplus Property	<u>4,070.31</u>	-	<u>4,070.31</u>
Net Change in Fund Balances	33,146.46	23,344.62	56,491.08
Fund Balance - Beginning	<u>166,850.29</u>	<u>124,872.14</u>	<u>291,722.43</u>
FUND BALANCE - ENDING	<u>\$ 199,996.75</u>	<u>\$ 148,216.76</u>	<u>\$ 348,213.51</u>

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

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
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, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ 56,491.08
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide financial statements.	33,187.88
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(63,484.49)</u>
Change in Net Position of Governmental Activities	<u>\$ 26,194.47</u>

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

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	<u>Agency Funds</u>
ASSETS:	
Cash and Cash Equivalents	\$ <u>22,644.25</u>
Total Assets	<u>22,644.25</u>
LIABILITIES:	
Amounts Held for Others	<u>22,644.25</u>
Total Liabilities	<u>22,644.25</u>
NET POSITION	<u>\$ -</u>

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

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of Lake Area Multi-District Vocational Center No. 1 (Center), 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 Center 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 Center (primary government). The Center may also be financially accountable for another organization if that organization is fiscally dependent on the Center. The Center does not have any component units.

The Center is a joint venture that is composed of nine school districts. These member school districts are Castlewood, Florence, Grant-Deuel, Great Plains, Hamlin, Henry, Summit, Watertown and Waverly. The Center was formed for the purpose of providing vocational education services to the member school districts.

The 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 Center'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.

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 Center's government-wide financial statements include only governmental activities.

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.

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Center 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 Center 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 grants and assessments charged to the member school districts. This is a major fund.

Fiduciary Funds:

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

Agency Funds – agency funds are used to account for resources held by the Center 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 Center maintains agency funds for the purpose of accounting for the assets held in a trustee capacity for various classes and clubs within the Center. The agency funds are used to account for the revenues and expenditures that are incidental to each class and club.

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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, governmental 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 fiduciary fund types.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental 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 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 Center is 60 days. The revenues which are accrued at June 30, 2013 are restricted grants-in-aid received from 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.

All 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.

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2013

d. 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.

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.

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 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	5-70 years
Improvements	\$ 15,000	Straight-line	25 years
Machinery and Equipment	\$ 5,000	Straight-line	5-15 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

e. 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 resources are reported as liabilities in the government-wide financial statements. The Center does not have any long-term liabilities.

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

f. Program Revenues:

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

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

g. 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 distinguish between Nonspendable, Restricted, Committed, Assigned, or Unassigned components. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

h. Application of Net Position:

It is the Center'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.

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 Center classifies governmental fund balances as follows:

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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

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

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

The Center 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 Center'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 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 Center, as discussed above. The Center has no investment policy that would further limit its investment choices.

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Custodial Credit Risk - Deposits

The risk that, in the event of a depository failure, the Center's deposits may not be returned to it. The Center does not have a deposit policy for custodial credit risk. As of June 30, 2013, the Center's deposits in financial institutions were not exposed to custodial credit risk.

Custodial Credit Risk - Investments

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

As of June 30, 2013, the Center did not have any investments.

Interest Rate Risk

The Center 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 Center's policy is to credit all income from deposits and investments to the fund making the investment.

3. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The Center expects all receivables to be collected within one year. All receivables are considered collectible; therefore, 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).

In the government-wide financial statements and fund financial statements, inventory items are recorded as expenditures at the time of purchase.

No material amounts of inventory were on hand as of June 30, 2013 in the governmental funds.

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2013 is as follows:

	Balance 7/1/12	Increases	Decreases	Balance 6/30/13
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 31,540.00	\$ -	\$ -	\$ 31,540.00
Capital assets, being depreciated:				
Improvements Other Than Bldgs	22,627.00	-	-	22,627.00
Buildings	457,702.32	-	-	457,702.32
Machinery and Equipment	724,044.06	33,187.88	-	757,231.94
Total	<u>1,204,373.38</u>	<u>33,187.88</u>	<u>-</u>	<u>1,237,561.26</u>
Less: accumulated depreciation for:				
Improvements Other Than Bldgs	22,627.00	-	-	22,627.00
Buildings	274,048.38	12,111.33	-	286,159.71
Machinery and Equipment	537,658.33	51,373.16	-	589,031.49
Total accumulated depreciation	<u>834,333.71</u>	<u>63,484.49</u>	<u>-</u>	<u>897,818.20</u>
Total capital assets, being depreciated, net	<u>370,039.67</u>	<u>(30,296.61)</u>	<u>-</u>	<u>339,743.06</u>
Governmental activity capital assets, net	<u>\$ 401,579.67</u>	<u>\$ (30,296.61)</u>	<u>\$ -</u>	<u>\$ 371,283.06</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 56,934.18
Support Services	<u>6,550.31</u>
Total depreciation expense – governmental activities	<u>\$ 63,484.49</u>

6. OPERATING LEASES

The Center leases classroom space from the Lake Area Technical Institute. The lease agreement calls for semi-annual lease payments of \$57.00 per enrolled student per semester for the Drafting and Electronics classroom space and \$113.00 per enrolled student per semester for the Machine Tool and Welding classroom and laboratory space. The lease payments have been made from the Capital Outlay Fund. The rent expense for the fiscal year ended June 30, 2013 was \$26,683.00.

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2013

7. RESTRICTED NET POSITION

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

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	Law	<u>\$ 148,216.76</u>
Total Restricted Net Position		<u>\$ 148,216.76</u>

8. RETIREMENT PLAN

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

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 Center's share of contributions to the SDRS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$37,191.95, \$38,589.08, and \$37,116.87, respectively, equal to the required contributions each year.

9. RISK MANAGEMENT

The Center 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, 2013, the Center managed its risks as follows:

Employee Health Insurance:

The Center participates in the Watertown School District's group health self-insurance fund. The fund pays for health and dental claims of employees and their covered dependents. Premiums paid to the fund are actuarially determined, and they cover the cost of processed claims, administrative costs, network participation fees, and the cost of individual stop-loss insurance at a coverage level of \$100,000 per covered individual per year with an additional aggregating specific of \$150,000. No aggregate stop-loss insurance was purchased during the year ended June 30, 2013.

The Center 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.

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Liability Insurance:

The Center 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 Center 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 Center has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. Any claims for unemployment benefits will be paid by the General Fund.

During the year ended June 30, 2013, one claim was filed for unemployment benefits. This claim resulted in the payment of benefits in the amount of \$3,185.72. At June 30, 2013, no claims had been filed and were outstanding. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

10. LITIGATION

At June 30, 2013 the Center was not involved in any litigation.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
 LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 GENERAL FUND
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Tuition and Fees:				
Student Tuition	\$ 927,444.00	\$ 927,444.00	\$ 927,532.00	\$ 88.00
Earnings on Investments and Deposits	2,000.00	2,000.00	1,005.44	(994.56)
Other Revenue from Local Sources:				
Other	-	-	10.00	10.00
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in Aid Received from Federal Government through the State	66,285.00	86,285.00	87,788.00	1,503.00
Total Revenues	<u>995,729.00</u>	<u>1,015,729.00</u>	<u>1,016,335.44</u>	<u>606.44</u>
Expenditures:				
Instruction:				
Regular Programs:				
High School	809,647.00	833,647.00	814,690.23	18,956.77
Support Services:				
Instructional Staff:				
Improvement of Instruction	3,741.00	3,741.00	4,278.49	(537.49)
General Administration:				
Board of Education	23,816.00	23,816.00	16,969.28	6,846.72
Executive Administration	92,409.00	92,409.00	94,645.64	(2,236.64)
Business:				
Fiscal Services	33,698.00	33,698.00	26,269.03	7,428.97
Operation and Maintenance of Plant	36,099.00	36,099.00	29,032.53	7,066.47
Cocurricular Activities:				
Combined Activities	3,319.00	3,319.00	1,374.09	1,944.91
Contingencies	<u>3,000.00</u>	<u>3,000.00</u>	-	<u>3,000.00</u>
Total Expenditures	<u>1,005,729.00</u>	<u>1,029,729.00</u>	<u>987,259.29</u>	<u>42,469.71</u>
Excess of Revenues Over (Under) Expenditures	<u>(10,000.00)</u>	<u>(14,000.00)</u>	<u>29,076.15</u>	<u>43,076.15</u>

REQUIRED SUPPLEMENTARY INFORMATION
LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses):				
Sale of Surplus Property	-	-	4,070.31	4,070.31
Net Change in Fund Balances	(10,000.00)	(14,000.00)	33,146.46	47,146.46
Fund Balance - Beginning	<u>166,850.29</u>	<u>166,850.29</u>	<u>166,850.29</u>	-
FUND BALANCE - ENDING	<u>\$ 156,850.29</u>	<u>\$ 152,850.29</u>	<u>\$ 199,996.75</u>	<u>\$ 47,146.46</u>

REQUIRED SUPPLEMENTARY INFORMATION
LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Tuition and Fees:				
Student Tuition	\$ 130,206.00	\$ 130,206.00	\$ 130,219.00	\$ 13.00
Earnings on Investments and Deposits	800.00	800.00	104.33	(695.67)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in Aid Received from Federal Government through the State	-	-	11,170.00	11,170.00
Total Revenues	<u>131,006.00</u>	<u>131,006.00</u>	<u>141,493.33</u>	<u>10,487.33</u>
Expenditures:				
Instruction:				
Regular Programs:				
High School	35,750.00	35,750.00	15,205.95	20,544.05
Business:				
Fiscal Services	-	1,000.00	789.00	211.00
Facilities Acquisition and Construction	40,000.00	40,000.00	48,583.16	(8,583.16)
Operation and Maintenance of Plant	58,756.00	58,756.00	52,163.10	6,592.90
Other Support Services	<u>1,500.00</u>	<u>1,500.00</u>	<u>1,407.50</u>	<u>92.50</u>
Total Expenditures	<u>136,006.00</u>	<u>137,006.00</u>	<u>118,148.71</u>	<u>18,857.29</u>
Excess of Revenues Over (Under) Expenditures	<u>(5,000.00)</u>	<u>(6,000.00)</u>	<u>23,344.62</u>	<u>29,344.62</u>
Net Change in Fund Balances	(5,000.00)	(6,000.00)	23,344.62	29,344.62
Fund Balance - Beginning	<u>124,872.14</u>	<u>124,872.14</u>	<u>124,872.14</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 119,872.14</u>	<u>\$ 118,872.14</u>	<u>\$ 148,216.76</u>	<u>\$ 29,344.62</u>

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2013

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 Center 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 Center 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 Center 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 Center board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the Center 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 Center budget and may be transferred by resolution of the Center 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 Center board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
11. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).