

NORTHEAST TECHNICAL HIGH SCHOOL  
SCHOOL BOARD OFFICIALS AND OFFICIAL NEWSPAPER  
June 30, 2015

**Board Members:**

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Lynn Popham, Vice President  
Julie Kirwan  
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Watertown School District No. 14-4  
Hamlin School District No. 28-3  
Castlewood School District No. 28-1  
Florence School District No. 14-1  
Grant-Deuel School District No. 25-3  
Great Plains Lutheran School  
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 School District No. 14-5

**Director:**

Bert Falak

**Office Manager:**

Karen Beynon

**Official Newspaper:**

Watertown Public Opinion

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

School Board  
Northeast Technical High School  
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 Northeast Technical High School, South Dakota (School), as of June 30, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated July 25, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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'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'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 items 2015-02.

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

The School's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The School'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 School'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  
July 25, 2016

NORTHEAST TECHNICAL HIGH SCHOOL  
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 finding has not been corrected and has been restated as current audit finding number 2015-01.

**2014-02**

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. The finding has been corrected.

**2014-03**

Finding: The School did not advertise for competitive bids for the ballasted rubber roof system as required by SDCL 5-18A-14. The finding has not been corrected and has been restated as current audit finding number 2015-02.

NORTHEAST TECHNICAL HIGH SCHOOL  
SCHEDULE OF CURRENT AUDIT FINDINGS  
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 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 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 is aware of this problem and is attempting to provide compensating internal controls whenever and wherever possible and practical.

**2015-02**

Finding: The School did not advertise for competitive bids for the press brake as required by SDCL 5-18A-14.

Analysis: SDCL 5-18A-14 requires the purchasing agency advertise for competitive bids for contracts amounting to \$50,000 or more for any public improvement or contracts amounting to \$25,000 or more for the purchase of supplies or services, other than professional services.

Recommendation: We recommend that the School advertise for competitive bids for all contracts in amounts required by SDCL 5-18A-14.

Response: The School has taken measures to ensure advertising for competitive bids for all contracts as required by SDCL 5-18A-14. In fact, since this oversight occurred in the summer of 2014, the School properly advertised for competitive bids in August 2015 and is currently completing paper work for another public bid to be completed in August or September 2016.



# WILLIAM NEALE & CO., P.C.

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

School Board  
Northeast Technical High School  
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 Northeast Technical High School, South Dakota (School), as of June 30, 2015, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

The School'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'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'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 Northeast Technical High School, 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 8. to the financial statements, the School 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 8. to the financial statements, the School 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's Proportionate Share of the Net Pension Asset, and Schedule of the School Contributions on pages 29 through 34 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 has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2016 on our consideration of the School'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 School's internal control over financial reporting and compliance.

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

Watertown, South Dakota  
July 25, 2016

**NORTHEAST TECHNICAL HIGH SCHOOL  
STATEMENT OF NET POSITION  
June 30, 2015**

	Governmental Activities
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 452,815.94
Other Assets	162,737.14
Net Pension Asset	241,417.92
Capital Assets:	
Land, Improvements, and CWIP	31,540.00
Other Capital Assets, Net of Depreciation	422,513.86
<b>TOTAL ASSETS</b>	<b>1,311,024.86</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Pension Related Deferred Outflows	217,214.48
<b>LIABILITIES :</b>	
Accounts Payable	119.00
Other Current Liabilities	98,170.71
<b>TOTAL LIABILITIES</b>	<b>98,289.71</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Pension Related Deferred Inflows	279,602.65
<b>NET POSITION:</b>	
Net Investment in Capital Assets	454,053.86
Restricted for:	
Capital Outlay	256,725.63
SDRS Pension	179,029.75
Unrestricted	260,537.74
<b>TOTAL NET POSITION</b>	<b>\$ 1,150,346.98</b>

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

**NORTHEAST TECHNICAL HIGH SCHOOL  
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
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Instruction	\$ 1,019,825.88	\$ 1,002,425.00	\$ 122,422.97	\$ 231,812.47	\$ 336,834.56
Support Services	289,254.81	18,998.61	1,855.41	136,600.00	(131,800.79)
Cocurricular Activities	3,095.96	-	66.36	-	(3,029.60)
<b>Total Governmental Activities</b>	<b>1,312,176.65</b>	<b>1,021,423.61</b>	<b>124,344.74</b>	<b>368,412.47</b>	<b>202,004.17</b>
<b>Total Primary Government</b>	<b>\$ 1,312,176.65</b>	<b>\$ 1,021,423.61</b>	<b>\$ 124,344.74</b>	<b>\$ 368,412.47</b>	<b>202,004.17</b>
<b>General Revenues:</b>					
					1,586.86
					109.29
					1,696.15
					203,700.32
					817,011.19
					129,635.47
					946,646.66
					<b>\$ 1,150,346.98</b>

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

**NORTHEAST TECHNICAL HIGH SCHOOL  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 196,090.31	\$ 256,725.63	\$ 452,815.94
Accounts Receivable	(113.34)	-	(113.34)
Due from Other Governments	<u>162,850.48</u>	<u>-</u>	<u>162,850.48</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 358,827.45</u></b>	<b><u>\$ 256,725.63</u></b>	<b><u>\$ 615,553.08</u></b>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 119.00	\$ -	\$ 119.00
Contracts Payable	73,826.03	-	73,826.03
Payroll Deductions and Withholdings and Employer Matching Payable	<u>24,344.68</u>	<u>-</u>	<u>24,344.68</u>
<b>Total Liabilities</b>	<b><u>98,289.71</u></b>	<b><u>-</u></b>	<b><u>98,289.71</u></b>
<b>Fund Balances:</b>			
Restricted			
Capital Outlay	-	256,725.63	256,725.63
Unassigned	<u>260,537.74</u>	<u>-</u>	<u>260,537.74</u>
<b>Total Fund Balances</b>	<b><u>260,537.74</u></b>	<b><u>256,725.63</u></b>	<b><u>517,263.37</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 358,827.45</u></b>	<b><u>\$ 256,725.63</u></b>	<b><u>\$ 615,553.08</u></b>

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

**NORTHEAST TECHNICAL HIGH SCHOOL**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**June 30, 2015**

Total Fund Balances - Governmental Funds		\$ 517,263.37								
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.		241,417.92								
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Capital Assets</td> <td style="width: 20%; text-align: right;">1,411,547.33</td> <td style="width: 40%;"></td> </tr> <tr> <td>Accumulated Depreciation</td> <td style="text-align: right;"><u>(957,493.47)</u></td> <td></td> </tr> <tr> <td>Net</td> <td></td> <td style="text-align: right;">454,053.86</td> </tr> </table>	Capital Assets	1,411,547.33		Accumulated Depreciation	<u>(957,493.47)</u>		Net		454,053.86
Capital Assets	1,411,547.33									
Accumulated Depreciation	<u>(957,493.47)</u>									
Net		454,053.86								
Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.		217,214.48								
Pension related deferred inflows are components of pension asset and therefore are not reported in the funds.		<u>(279,602.65)</u>								
Net Position - Governmental Funds		<u>\$ 1,150,346.98</u>								

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

**NORTHEAST TECHNICAL HIGH SCHOOL**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2015**

	General Fund	Capital Outlay Fund	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues:</b>			
Tuition and Fees:			
Student Tuition	\$ 1,002,425.00	\$ -	\$ 1,002,425.00
 Earnings on Investments and Deposits	 859.27	 727.59	 1,586.86
Other Revenue from Local Sources:			
Contributions and Donations	42,405.00	-	42,405.00
Other	109.29	179,600.00	179,709.29
Revenue from State Sources:			
Restricted Grants-in-Aid	149,852.77	-	149,852.77
Other State Revenue	18,998.61	-	18,998.61
Revenue from Federal Sources:			
Restricted Grants-in-Aid Received from Federal Government Through the State	<u>110,702.00</u>	<u>-</u>	<u>110,702.00</u>
 Total Revenues	 <u>1,325,351.94</u>	 <u>180,327.59</u>	 <u>1,505,679.53</u>
 <b>Expenditures:</b>			
Current:			
Instruction:			
Regular Programs:			
High School	983,606.00	25,948.63	1,009,554.63
Support Services:			
Instructional Staff:			
Improvement of Instruction	9,963.98	-	9,963.98
General Administration:			
Board of Education	27,422.72	-	27,422.72
Executive Administration	100,574.34	-	100,574.34
Business:			
Fiscal Services	59,567.24	-	59,567.24
Facilities Acquisition & Construction	-	8,642.66	8,642.66
Operation and Maintenance of Plant	25,885.73	56,130.16	82,015.89
Other Support Services	-	1,567.56	1,567.56
Cocurricular Activities:			
Combined Activities	3,169.05	-	3,169.05
Capital Outlay	<u>76,544.19</u>	<u>25,479.39</u>	<u>102,023.58</u>
 Total Expenditures	 <u>1,286,733.25</u>	 <u>117,768.40</u>	 <u>1,404,501.65</u>

**NORTHEAST TECHNICAL HIGH SCHOOL  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2015**

	General Fund	Capital Outlay Fund	Total Governmental Funds
Excess of Revenues Over (Under) Expenditures	<u>38,618.69</u>	<u>62,559.19</u>	<u>101,177.88</u>
Net Change in Fund Balances	38,618.69	62,559.19	101,177.88
Fund Balance - Beginning	<u>221,919.05</u>	<u>194,166.44</u>	<u>416,085.49</u>
<b>FUND BALANCE - ENDING</b>	<b><u>\$ 260,537.74</u></b>	<b><u>\$ 256,725.63</u></b>	<b><u>\$ 517,263.37</u></b>

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

**NORTHEAST TECHNICAL HIGH SCHOOL  
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	\$ 101,177.88
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.	102,023.58
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.	(48,895.42)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (e.g., pension revenue)	10,197.44
Changes in the pension related deferred outflows/inflows are direct components of pension asset and are not reflected in the governmental funds.	<u>39,196.84</u>
Change in Net Position of Governmental Activities	<u>\$ 203,700.32</u>

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

**NORTHEAST TECHNICAL HIGH SCHOOL  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
June 30, 2015**

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ <u>34,967.48</u>
<b>Total Assets</b>	<u>34,967.48</u>
<b>LIABILITIES:</b>	
Amounts Held for Others	<u>34,967.48</u>
<b>Total Liabilities</b>	<u>34,967.48</u>
<b>NET POSITION</b>	<u>\$ -</u>

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

NORTHEAST TECHNICAL HIGH SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of Northeast Technical High School (School), 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 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 (primary government). The School may also be financially accountable for another organization if that organization is fiscally dependent on the School. The School does not have any component units.

The School 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 School 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 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.

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 School'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.

NORTHEAST TECHNICAL HIGH SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School'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 School 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 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 School 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 maintains agency funds for the purpose of accounting for the assets held in a trustee capacity for various classes and clubs within the School. The agency funds are used to account for the revenues and expenditures that are incidental to each class and club.

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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 School is 60 days. The revenues which are accrued at June 30, 2015 are restricted grants-in-aid received from the State, other State revenue, and 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.

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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 School does not have any long-term liabilities.

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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 School'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 School'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 School classifies governmental fund balances as follows:

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

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

j. 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 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 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'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.

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**Credit Risk**

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

**Custodial Credit Risk - Deposits**

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

**Interest Rate Risk**

The School 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'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 School 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, 2015 in the governmental funds.

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5. 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
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 31,540.00	\$ -	\$ -	\$ 31,540.00
Construction Work in Progress	33,132.39	25,479.39	58,611.78	-
<b>Total Capital Assets Not Being Depreciated</b>	<b>64,672.39</b>	<b>25,479.39</b>	<b>58,611.78</b>	<b>31,540.00</b>
<b>Capital Assets, Being Depreciated:</b>				
Improvements Other Than Bldgs	22,627.00	-	-	22,627.00
Buildings	457,702.32	58,611.78	-	516,314.10
Machinery and Equipment	793,687.94	76,544.19	29,165.90	841,066.23
<b>Total Capital Assets Being Depreciated</b>	<b>1,274,017.26</b>	<b>135,155.97</b>	<b>29,165.90</b>	<b>1,380,007.33</b>
<b>Less: Accumulated Depreciation For:</b>				
Improvements Other Than Bldgs	22,627.00	-	-	22,627.00
Buildings	297,804.42	14,531.12	-	312,335.54
Machinery and Equipment	617,332.53	34,364.30	29,165.90	622,530.93
<b>Total Accumulated Depreciation</b>	<b>937,763.95</b>	<b>48,895.42</b>	<b>29,165.90</b>	<b>957,493.47</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>336,253.31</b>	<b>86,260.55</b>	<b>-</b>	<b>422,513.86</b>
<b>Total Governmental Activity Capital Assets, Net</b>	<b>\$ 400,925.70</b>	<b>\$ 111,739.94</b>	<b>\$ 58,611.78</b>	<b>\$ 454,053.86</b>

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
Instruction	\$ 42,623.75
Support Services	6,271.67
<b>Total Depreciation Expense – Governmental Activities</b>	<b>\$ 48,895.42</b>

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6. OPERATING LEASES

The School leases classroom space from the Lake Area Technical Institute. The lease agreement calls for lease payments of \$58.00 per enrolled student per semester for the Drafting and Electronics classroom space and \$115.00 per enrolled student per semester for the Machine Tool and Welding classroom and laboratory space. The lease payments have been made from the General and Capital Outlay Funds. The rent expense for the fiscal year ended June 30, 2015 was \$36,236.00.

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	\$ 256,725.63
SDRS Pension	-	<u>179,029.75</u>
Total Restricted Net Position		<u>\$ 435,755.38</u>

8. PRIOR PERIOD ADJUSTMENTS

The School 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	\$ 817,011.19
Restatement for pension accounting:	
Net Pension Asset	94,476.80
Pension related Deferred Outflows of Resources	<u>35,158.67</u>
Net Position July 1, 2014, as restated	<u>\$ 946,646.66</u>

9. 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.

NORTHEAST TECHNICAL HIGH SCHOOL  
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**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.

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's share of contributions to the SDRS for the fiscal years ended June 30, 2015, 2014, and 2013 were \$39,196.84, \$35,158.67 and \$37,191.95, 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 as of June 30, 2014 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 3,554,474.83
Less proportionate share of total pension liability	<u>3,313,056.91</u>
Proportionate share of net pension asset	<u>\$ 241,417.92</u>

NORTHEAST TECHNICAL HIGH SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
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At June 30 2015, the School reported an asset of \$241,417.92 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's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2014, the School's proportion was .0335089%.

For the year ended June 30, 2015, the School recognized pension revenue of \$10,197.44. At June 30, 2015 the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 20,427.22	\$ -
Changes in assumption.	157,590.42	-
Net difference between projected and actual earnings on pension plan investments.	-	279,602.65
Changes in proportion and difference between District contributions and proportionate share of contributions.	-	-
School contributions subsequent to the measurement date.	<u>39,196.84</u>	<u>-</u>
<b>TOTAL</b>	<b><u>\$ 217,214.48</u></b>	<b><u>\$ 279,602.65</u></b>

\$39,196.84 reported as deferred outflows of resources related to pensions resulting from School 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	\$ 19,183.39
2017	19,183.39
2018	19,183.39
2019	<u>44,034.85</u>
<b>TOTAL</b>	<b><u>\$ 101,585.02</u></b>

NORTHEAST TECHNICAL HIGH SCHOOL  
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 June 30, 2015

**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.

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.

NORTHEAST TECHNICAL HIGH SCHOOL  
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 June 30, 2015

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

The following presents the School'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'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%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
School's proportionate share of the net pension liability (asset)	\$ 238,566.31	(\$241,417.92)	(\$632,895.16)

**Pension Plan Fiduciary Net Position:**

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

10. RISK MANAGEMENT

The School 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 managed its risks as follows:

Employee Health Insurance:

The School 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, 2015.

The School 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.

Liability Insurance:

The School 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 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.

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Unemployment Benefits:

The School 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, 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.

11. LITIGATION

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**REQUIRED SUPPLEMENTARY INFORMATION  
NORTHEAST TECHNICAL HIGH SCHOOL  
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>Tuition and Fees:</b>				
Student Tuition	\$ 1,002,424.00	\$ 1,002,424.00	\$ 1,002,425.00	\$ 1.00
Earnings on Investments and Deposits	1,000.00	1,000.00	859.27	(140.73)
<b>Other Revenue from Local Sources:</b>				
Contributions and Donations	42,000.00	42,000.00	42,405.00	405.00
Other	-	-	109.29	109.29
<b>Revenue from State Sources:</b>				
Restricted Grants-in-Aid	-	149,852.77	149,852.77	-
Other State Revenue	-	18,998.61	18,998.61	-
<b>Revenue from Federal Sources:</b>				
<b>Grants-in-Aid:</b>				
Restricted Grants-in Aid Received from Federal Government through the State	<u>69,333.00</u>	<u>110,835.00</u>	<u>110,702.00</u>	<u>(133.00)</u>
<b>Total Revenues</b>	<u>1,114,757.00</u>	<u>1,325,110.38</u>	<u>1,325,351.94</u>	<u>241.56</u>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Regular Programs:				
High School	899,326.00	1,090,680.77	1,060,150.19	30,530.58
<b>Support Services:</b>				
<b>Instructional Staff:</b>				
Improvement of Instruction	10,560.00	10,560.00	9,963.98	596.02
<b>General Administration:</b>				
Board of Education	23,066.00	28,066.00	27,422.72	643.28
Executive Administration	103,435.00	103,435.00	100,574.34	2,860.66
<b>Business:</b>				
Fiscal Services	38,778.00	57,776.61	59,567.24	(1,790.63)
Operation and Maintenance of Plant	32,752.00	32,752.00	25,885.73	6,866.27
<b>Cocurricular Activities:</b>				
Combined Activities	2,840.00	2,840.00	3,169.05	(329.05)
Contingencies	<u>4,000.00</u>	<u>4,000.00</u>	<u>-</u>	<u>4,000.00</u>
<b>Total Expenditures</b>	<u>1,114,757.00</u>	<u>1,330,110.38</u>	<u>1,286,733.25</u>	<u>43,377.13</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>(5,000.00)</u>	<u>38,618.69</u>	<u>43,618.69</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**NORTHEAST TECHNICAL HIGH SCHOOL**  
**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>		
Net Change in Fund Balances	-	(5,000.00)	38,618.69	43,618.69
Fund Balance - Beginning	<u>221,919.05</u>	<u>221,919.05</u>	<u>221,919.05</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 221,919.05</u>	<u>\$ 216,919.05</u>	<u>\$ 260,537.74</u>	<u>\$ 43,618.69</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
NORTHEAST TECHNICAL HIGH SCHOOL  
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>		
Revenues:				
Earnings on Investments and Deposits	\$ 500.00	\$ 500.00	\$ 727.59	\$ 227.59
Other	<u>179,600.00</u>	<u>179,600.00</u>	<u>179,600.00</u>	<u>-</u>
Total Revenues	<u>180,100.00</u>	<u>180,100.00</u>	<u>180,327.59</u>	<u>227.59</u>
Expenditures:				
Instruction:				
Regular Programs:				
High School	43,500.00	43,500.00	25,948.63	17,551.37
Business:				
Facilities Acquisition and Construction	75,500.00	75,500.00	34,122.05	41,377.95
Operation and Maintenance of Plant	59,450.00	59,450.00	56,130.16	3,319.84
Other Support Services	<u>1,650.00</u>	<u>1,650.00</u>	<u>1,567.56</u>	<u>82.44</u>
Total Expenditures	<u>180,100.00</u>	<u>180,100.00</u>	<u>117,768.40</u>	<u>62,331.60</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>62,559.19</u>	<u>62,559.19</u>
Net Change in Fund Balances	-	-	62,559.19	62,559.19
Fund Balance - Beginning	<u>194,166.44</u>	<u>194,166.44</u>	<u>194,166.44</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 194,166.44</u>	<u>\$ 194,166.44</u>	<u>\$ 256,725.63</u>	<u>\$ 62,559.19</u>

NORTHEAST TECHNICAL HIGH SCHOOL  
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 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 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 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).

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
 NORTHEAST TECHNICAL HIGH SCHOOL  
 SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION ASSET  
 SOUTH DAKOTA RETIREMENT SYSTEM

	6/30/2015
School's proportion of the net pension asset	0.0335089%
School's proportionate share of net pension asset	\$ 241,417.92
School's covered-employee payroll	\$ 586,357.70
School's proportionate share of net pension asset as a percentage of its covered-employee payroll	41.17%
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  
NORTHEAST TECHNICAL HIGH SCHOOL  
SCHEDULE OF THE SCHOOL CONTRIBUTIONS  
SOUTH DAKOTA RETIREMENT SYSTEM

	<u>6/30/2015</u>
Contractually required contribution	\$ 39,196.84
Contributions in relation to the contractually required contribution	<u>39,196.84</u>
Contribution deficiency (excess)	<u>\$ -</u>
School's covered-employee payroll	\$ 654,093.45
Contributions as a percentage of covered-employee payroll	6.0%