

**WALL SCHOOL DISTRICT
NO. 51- 5**

INDEPENDENT AUDITOR'S REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2016



RAPID CITY, SOUTH DAKOTA
GILLETTE, WYOMING

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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*

To the School Board
Wall School District No. 51-5
Pennington County, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wall School District No. 51-5, Pennington County, South Dakota, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Wall School District No. 51-5's basic financial statements and have issued our report thereon dated October 12, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wall School District No. 51-5'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 Wall School District No. 51-5's internal control. Accordingly, we do not express an opinion on the effectiveness of Wall School District No. 51-5's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control described in the accompanying schedule of findings and management's response as item 2016-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wall School District No. 51-5's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

Wall School District No. 51-5's Response to Findings

Wall School District No. 51-5's response to the finding identified in our audit is described in the accompanying schedule of findings and management's response. Wall School District No. 51-5's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Casey Peterson & Associates, LTD

Rapid City, South Dakota

October 12, 2016

Wall School District No. 51-5
Schedule of Findings and Management's Response
June 30, 2016

FINDINGS - FINANCIAL STATEMENTS AUDIT

Material Weakness
Internal Control Over Financial Reporting
Lack of Segregation of Duties

2016-001 *Condition:* There is a general lack of segregation of duties and monitoring related to the accounting functions including payroll, journal entries, and reconciliations specifically relating to year-end entries due to the small staff size and lack of involvement of other business office employees in the finance function of the District.

Criteria: Duties within the finance function of the District should be segregated among business office employees and activities monitored to mitigate risk of error.

Cause: This condition exists due to small staff size within the finance function of the District. These issues are common in a district of this size.

Effect: The Business Manager performs closing entries and reconciliations without oversight. The possibility of fraud or errors occurring and not being detected or corrected is present.

Auditor's Recommendation: It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with the Business Manager performing entries and reconciliations without proper oversight, because of cost or other considerations.

Management's Response: This is common practice for schools of similar size and management feels comfortable with this practice. The District accepts the risk associated with the Business Manager performing entries and reconciliations without proper oversight. The District will consider additional internal control processes where they are cost effective.

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Independent Auditor's Report

To the School Board
Wall School District No. 51-5
Pennington County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wall School District No. 51-5 (the District), Pennington County, South Dakota, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wall School District No. 51-5, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress for retiree health insurance coverage, and schedules of net pension asset and pension contributions on pages 9 - 19, 66 - 74, 75, 76 and 77, respectively, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wall School District No. 51-5's basic financial statements. The list of district officials, statement of net position - proprietary funds excluding pension activity, and statement of revenues, expenditures and net fund position - proprietary funds excluding pension activity are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statement of net position - proprietary funds excluding pension activity and statement of revenues, expenditures and fund net position - proprietary funds excluding pension activity are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of net position - proprietary funds excluding pension activity and statement of revenues, expenditures and fund net position - proprietary funds excluding pension activity are fairly stated in all material respects in relation to the basic financial statements as a whole.

The list of District officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2016 on our consideration of the Wall School District No. 51-5's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Wall School District No. 51-5's internal control over financial reporting and compliance.



Casey Peterson & Associates, LTD

Rapid City, South Dakota
October 12, 2016

**Wall School District No. 51-5
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016**

This section of Wall School District No. 51-5's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2016. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

During the fiscal year ended June 30, 2016, the District's net position increased by \$170,537. Key financial highlights are as follows:

- ^ The District's revenues generated from taxes and other revenues of the governmental and business-type activities were \$3,551,557 which is \$170,537 more than the \$3,381,020 governmental and business-type program expenditures.
- ^ The total expenses in the governmental activities increased by 8.09% or \$241,234.
- ^ The total revenues in the governmental activities decreased by 6.94%, or \$252,095, over revenues received in 2015, primarily due to a decrease in some grant programs.
- ^ Net position of the District increased because total District revenues exceeded expenses.
- ^ In the governmental funds, total fund balance increased \$744,167. There was a decrease of \$159,242 in the General Fund due to the transfer of \$300,000 in Impact Aid to the Capital Outlay Fund. There was an increase in the Capital Outlay Fund of \$720,360 due to the receipt of debt proceeds and the transfer from Impact Aid. An increase in the Special Education Fund of \$183,049 due to changes in staffing and needed services.
- ^ GASB 34 requires school districts to maintain a record of annual depreciation expense and accumulated depreciation. Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation expense is recorded based on the original cost of the asset.

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund balances. Net investment in capital assets totaled \$9,301,739 in Governmental Activities on the 2016 Statement of Net Position. Since Governmental Fixed Assets are not included in governmental fund balances, but are included in the total governmental net position, this explains why the increase in net position exceeds the increase in total governmental fund balances.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - Management's Discussion and Analysis (this section), the basic financial statements (government-wide and fund statements) and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.

**Wall School District No. 51-5
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016**

- Proprietary fund statements offer short- and long-term financial information about the activities that the District operates like businesses. The proprietary funds operated by the District are the Food Service Fund and the After School Program.
- Fiduciary fund statements provide information about the financial relationships, like scholarship plans for graduating students, in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the activities reported and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1				
Major Features of Wall School District's Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as instruction and support services.	Activities the District operates similar to private businesses, the food service and internal service operation.	Instances in which the District is the trustee or agent for someone else's resources.
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows	*Statement of Fiduciary Net Position *Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/ Deferred Inflow of Resources/ Liability/ Deferred Outflows of Resources Information	All assets and liabilities, both financial and capital, and short-term and long-term, and deferred inflows and outflows of resources.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; some deferred outflows and inflows of resources; no capital or long-term liabilities included.	All assets and liabilities, both financial and capital, and short-term and long-term, and deferred inflows and outflows of resources.	All assets and liabilities, both short-term and long-term; the District's funds do not currently contain capital assets although they can.
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during the year regardless of when cash is received or paid.

**Wall School District No. 51-5
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016**

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position - the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Increases or decreases in the District's net position are indicators of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and changes in the state school aid funding formula from the State of South Dakota.

The government-wide financial statements of the District are reported in two categories:

- **Governmental Activities** - This category includes the District's basic instructional services, such as elementary, middle school, and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, pupil transportation, etc.), debt service payments, special education, extracurricular activities (sports, drama, music, etc.), and capital equipment purchases. Property taxes, state aid, state grants, federal grants, and interest earnings finance most of these activities.
- **Business-type Activities** - The District charges a fee to students and receives federal and state reimbursements to help cover the costs of providing hot lunch services and after school activities to all students.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's individual funds – not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes (like the Scholarship Trust).

The District has three kinds of funds:

- **Governmental Funds** - Most of the District's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.

**Wall School District No. 51-5
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016**

- Proprietary Funds - Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service and After School Enterprise Funds are the only proprietary funds maintained by the District.
- Fiduciary Funds - The District is the trustee, or fiduciary, for various external and internal parties. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position increased and decreased as follows:

**Table A-1
Wall School District No. 51-5
Net Position**

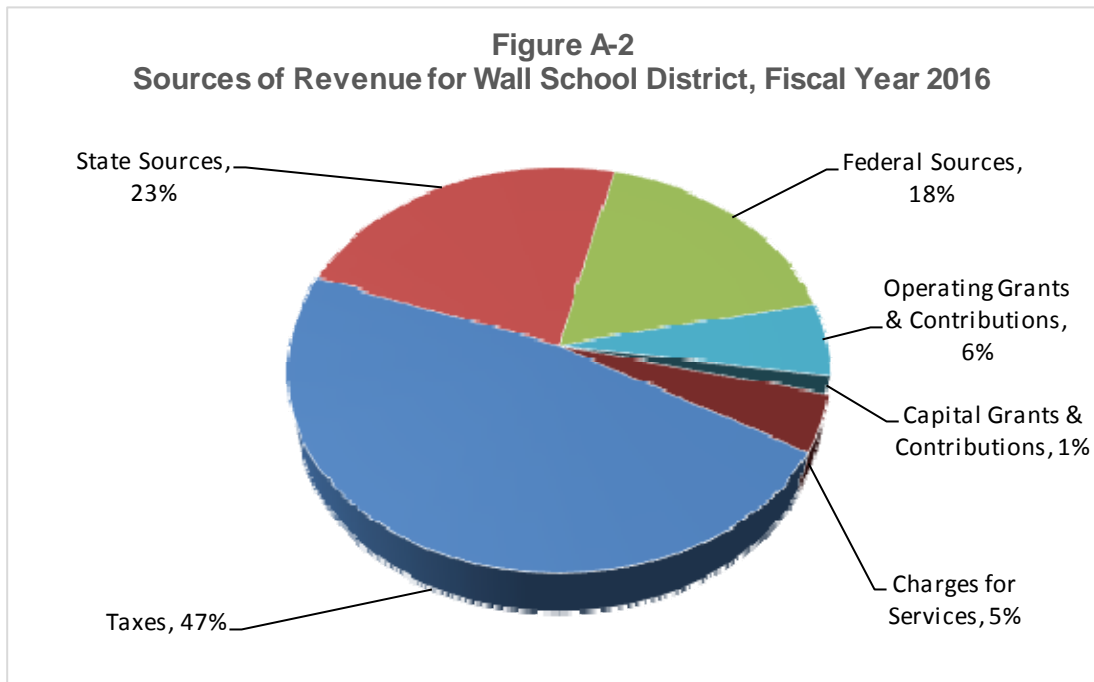
	Governmental Activities		Business-Type Activities		Total		Total Percent
	2016	2015	2016	2015	2016	2015	
Current and Other Assets	\$ 6,042,193	\$ 5,476,482	\$ 101,539	\$ 96,045	\$ 6,143,732	\$ 5,572,527	10.25%
Capital Assets (Net of Depreciation)	9,301,739	9,081,900	6,032	7,426	9,307,771	9,089,326	2.40%
Total Assets	<u>15,343,932</u>	<u>14,558,382</u>	<u>107,571</u>	<u>103,471</u>	<u>15,451,503</u>	<u>14,661,853</u>	5.39%
Deferred Outflows of Resources	<u>631,626</u>	<u>516,547</u>	<u>22,272</u>	<u>17,875</u>	<u>653,898</u>	<u>534,422</u>	100.00%
Long-term Liabilities Outstanding	995,143	124,966	2,215	2,215	997,358	127,181	684.20%
Other Liabilities	<u>253,235</u>	<u>231,732</u>	<u>12,905</u>	<u>12,656</u>	<u>266,140</u>	<u>244,388</u>	8.90%
Total Liabilities	<u>1,248,378</u>	<u>356,698</u>	<u>15,120</u>	<u>14,871</u>	<u>1,263,498</u>	<u>371,569</u>	240.04%
Deferred Inflows of Resources	<u>1,254,660</u>	<u>1,401,893</u>	<u>17,287</u>	<u>23,394</u>	<u>1,271,947</u>	<u>1,425,287</u>	-10.76%
Net Investment in Capital Assets	8,476,739	9,081,900	6,032	7,426	8,482,771	9,089,326	-6.67%
Restricted	1,156,827	781,855	16,701	14,680	1,173,528	796,535	47.33%
Unrestricted	<u>3,838,954</u>	<u>3,452,583</u>	<u>74,703</u>	<u>60,975</u>	<u>3,913,657</u>	<u>3,513,558</u>	11.39%
Total Net Position	<u>13,472,520</u>	<u>13,316,338</u>	<u>97,436</u>	<u>83,081</u>	<u>13,569,956</u>	<u>13,399,419</u>	1.27%
Beginning Net Position (As Restated)	<u>13,316,338</u>	<u>12,666,827</u>	<u>83,081</u>	<u>74,208</u>	<u>13,399,419</u>	<u>12,741,035</u>	5.17%
Increase (Decrease) in Net Position	<u>\$ 156,182</u>	<u>\$ 649,511</u>	<u>\$ 14,355</u>	<u>\$ 8,873</u>	<u>\$ 170,537</u>	<u>\$ 658,384</u>	-74.10%
Percentage Change in Net Position	1.17%	5.13%	17.28%	11.96%	1.27%	5.17%	

**Wall School District No. 51-5
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016**

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components - the amount due within one year and the amount due in more than one year. The long-term liabilities of the District, consisting of compensated absences payable, an other post-employment benefit (OPEB) liability, and capital outlay certificates payable have been reported in this manner on the Statement of Net Position. The difference between the District's assets and liabilities is its net position.

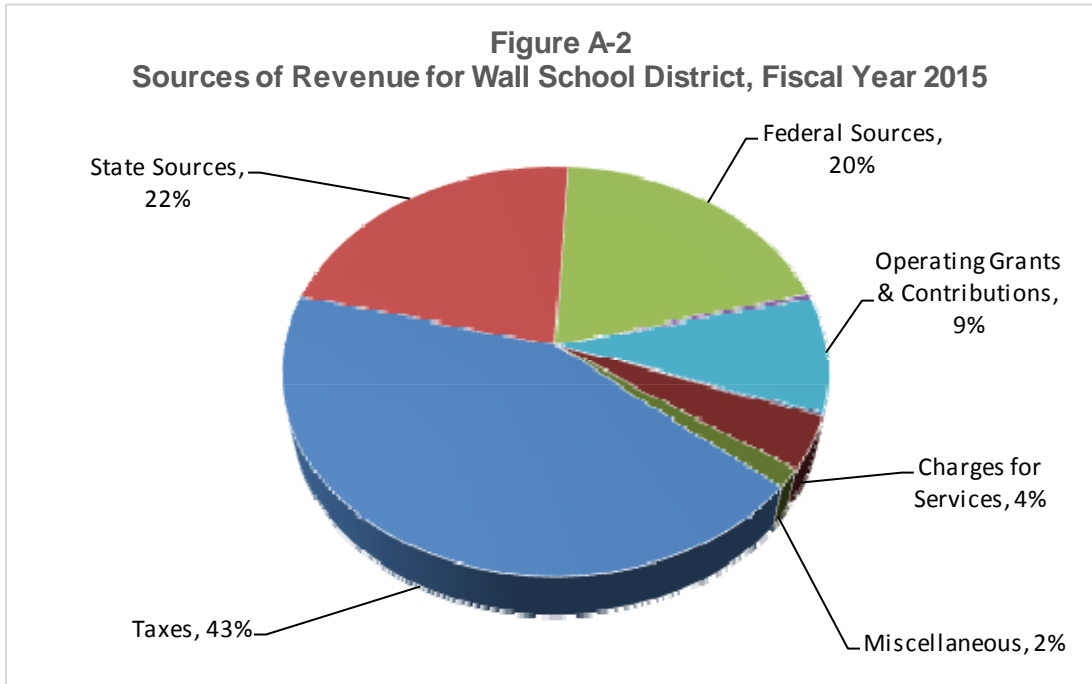
Changes in Net Position

In 2016, the District's revenues totaled \$3,551,557 (See Table A-2). Almost half of the District's revenue came from property and other taxes, over one-fifth came from state sources, consisting primarily of state aid, and almost one-fifth came from federal sources, with Impact Aid making up a significant portion. (See Figure A-2).

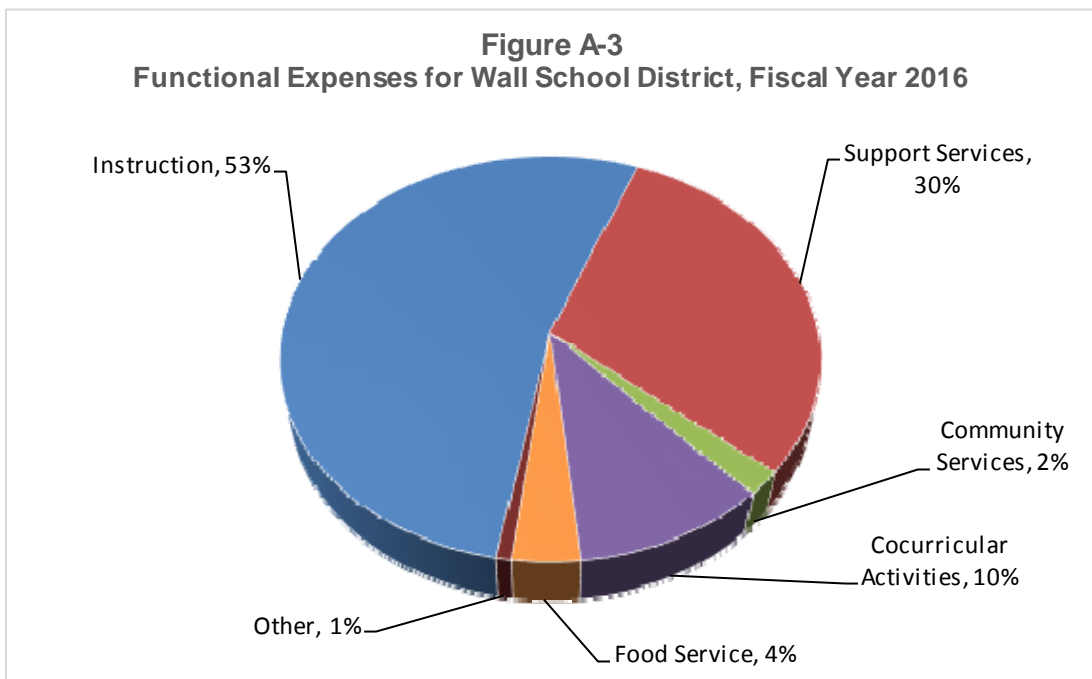


**Wall School District No. 51-5
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016**

In 2015, the District's revenues totaled \$3,801,525 (See Table A-2.) Over one-third of the District's revenue came from property and other taxes, over one-fifth came from state sources, consisting primarily of state aid, and approximately one-fifth came from federal sources, with Impact Aid making up a significant portion. (See Figure A-3).

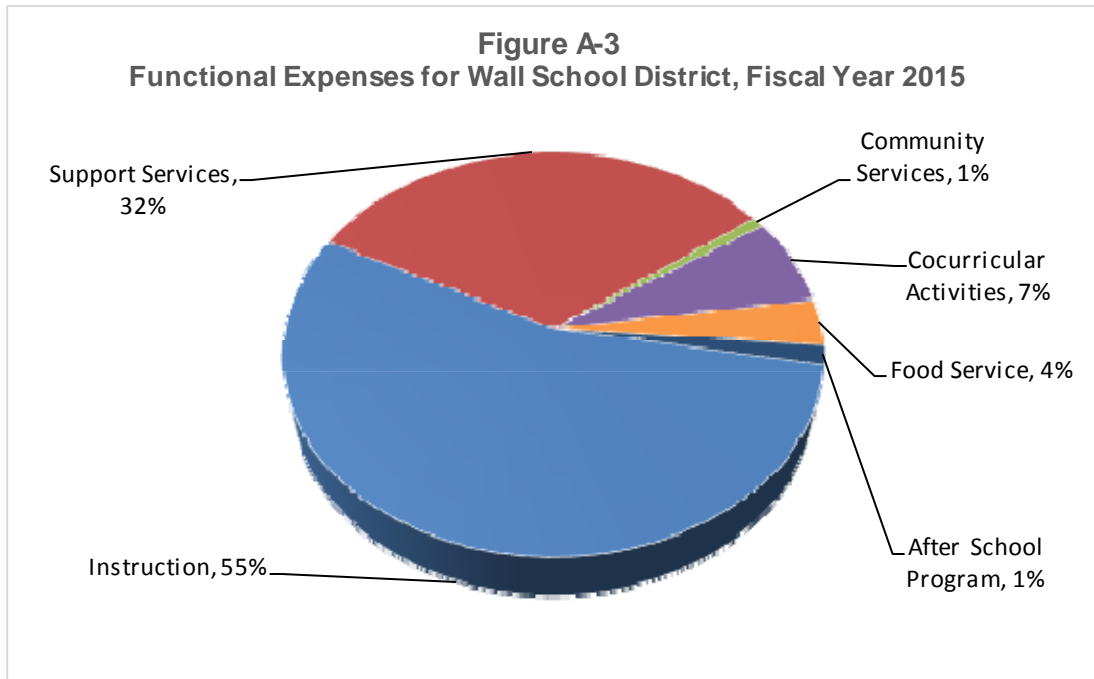


In 2016, the District's total expenses were \$3,381,020. The District's expenses cover a range of services, encompassing instruction, support services, community services, co-curricular activities, food service, and other. (See Figure A-4).



**Wall School District No. 51-5
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016**

In 2015, the District's total expenses were \$3,143,141. The District's expenses cover a range of services, encompassing instruction, support services, community services, co-curricular activities, food service, and other. (See Figure A-5).



**Wall School District No. 51-5
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016**

GOVERNMENTAL ACTIVITIES

Table A-2 and the narrative that follows consider the operations of the governmental activities in fiscal years 2016 and 2015.

**Table A-2
Wall School District No. 51-5
Changes in Net Position**

	Total Governmental Activities		Total Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues:						
Charges for Services	\$ 41,764	\$ 40,069	\$ 118,266	\$ 120,380	\$ 160,030	\$ 160,449
Operating Grants and Contributions	151,669	292,512	51,031	49,224	202,700	341,736
Capital Grants and Contributions	50,997	-	-	-	50,997	-
General Revenues						
Taxes	1,665,867	1,638,366	-	-	1,665,867	1,638,366
Revenue State Sources	813,710	814,049	-	-	813,710	814,049
Revenue Federal Sources	627,935	765,153	-	-	627,935	765,153
Revenue Intermediate Sources	16,828	15,560	-	-	16,828	15,560
Revenue Local Sources	4,339	58,140	2,417	-	6,756	58,140
Unrestricted Investment Earnings	6,625	7,980	109	92	6,734	8,072
Total Revenues	<u>3,379,734</u>	<u>3,631,829</u>	<u>171,823</u>	<u>169,696</u>	<u>3,551,557</u>	<u>3,801,525</u>
Expenses						
Instruction	1,781,105	1,713,654	-	-	1,781,105	1,713,654
Support Services	1,004,505	1,013,091	-	-	1,004,505	1,013,091
Community Services	65,965	25,975	-	-	65,965	25,975
Cocurricular Activities	346,683	214,557	-	-	346,683	214,557
Nonprogrammed Charges	-	45	-	-	-	45
Food Service	-	-	121,641	114,829	121,641	114,829
After School Program	-	-	35,827	45,994	35,827	45,994
Depreciation (Unallocated)	25,294	14,996	-	-	25,294	14,996
Total Expenses	<u>3,223,552</u>	<u>2,982,318</u>	<u>157,468</u>	<u>160,823</u>	<u>3,381,020</u>	<u>3,143,141</u>
Increase (Decrease) in Net Position	<u>\$ 156,182</u>	<u>\$ 649,511</u>	<u>\$ 14,355</u>	<u>\$ 8,873</u>	<u>\$ 170,537</u>	<u>\$ 658,384</u>

Revenues for the governmental activities decreased by nearly 7% from 2015 revenues, primarily due to a decrease in funding from some grant programs. Expenditures for the governmental activities increased by 8% primarily due to inflation.

**Wall School District No. 51-5
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016**

BUSINESS-TYPE ACTIVITIES

Revenues of the District's business-type activities increased by approximately 1% to \$171,823 while expenses decreased by about 2% to \$157,468. Factors contributing to these results included:

- Trying to control the costs of these programs.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The General Fund had a decrease in fund balance while the Capital Outlay Fund had an increase in fund balances due to the District working on the athletic complex project. The Special Education Fund had an increase in fund balance due to changes in staff and program needs.

BUDGETARY HIGHLIGHTS

Toward the end of the year, the School Board revised the District budget. These amendments fall into two categories:

- Supplemental appropriations approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

CAPITAL ASSET ADMINISTRATION

By the end of 2016, the District had invested \$9,307,770 in a broad range of capital assets, including, land, buildings, improvements other than buildings, and various machinery and equipment. (See Table A-3.) This amount represents a net increase (including additions, deductions, and accumulated depreciation) of \$218,445 or 2.4%, over last year.

**Table A-3
Wall School District No. 51-5 - Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2016	2015	2016	2015	2016-2015	2016-2015
Land	\$ 200,432	\$ 200,432	\$ -	\$ -	\$ -	0.00%
Construction in Progress	42,226	2,444,610	-	-	(2,402,384)	-98.27%
Buildings	5,517,893	5,596,137	-	-	(78,244)	-1.40%
Improvements other than Bldg	3,144,954	274,873	-	-	2,870,081	1044.15%
Machinery and Equipment	396,234	565,848	6,032	7,426	(171,008)	-29.83%
Total Capital Assets (Net)	<u>\$ 9,301,739</u>	<u>\$ 9,081,900</u>	<u>\$ 6,032</u>	<u>\$ 7,426</u>	<u>\$ 218,445</u>	2.40%

**Wall School District No. 51-5
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016**

LONG-TERM DEBT

At year-end, the District had \$997,358 in other long-term obligations.

**Table A-4
Wall School District No. 51-5
Outstanding Debt and Obligations**

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2016	2015	2016	2015	2016-2015	2016-2015
Note Payable	\$ 825,000	\$ -	\$ -	\$ -	\$ 825,000	100.00%
Compensated Absences	32,820	32,993	-	-	(173)	-0.52%
OPEB Liability	113,785	97,973	2,215	2,215	15,812	16.14%
Early Retirement Payment	23,538	-	-	-	23,538	100.00%
Total Outstanding Debt and Obligations	<u>\$ 995,143</u>	<u>\$ 130,966</u>	<u>\$ 2,215</u>	<u>\$ 2,215</u>	<u>\$ 864,177</u>	659.85%

The District is liable for the accrued sick leave payable to the certified staff, for any days they have accrued up to sixty, if they meet the conditions for voluntary separation in the Negotiated Agreement. These days are paid at a rate of \$30 per day.

The District also maintains an early retirement plan, which allows those meeting certain qualifications to retire early and receive 25% of the mean of the last three annual salaries, multiplied by the number of full time years of service in the District, to a maximum of twenty years. This plan allows the school to reduce the overall program cost by hiring lower paid teachers to replace the higher paid teachers.

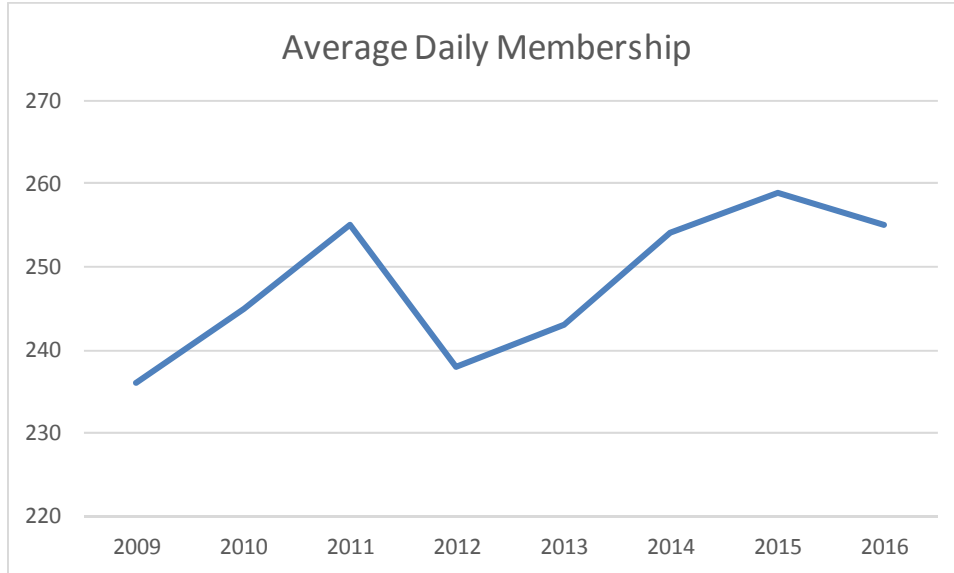
ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's current economic position continues to remain fairly consistent due to federal grants received by the District. The District's property tax valuations increased from 2016 to 2017.

One of the primary sources of revenue to the District is based on a per student allocation received from the State of South Dakota. The state aid formula has been decreased in recent years due to the economic conditions of the State and was modified for FY 2017. The impact of the new formula on the stability of the District's revenues is not fully known.

**Wall School District No. 51-5
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016**

The District's enrollment for the last seven years has been as follows:



CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional information, contact Business Manager, Wall School District No. 51-5, 401 South Blvd. West, PO Box 414, Wall, SD 57790.

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BASIC FINANCIAL STATEMENTS

Wall School District No. 51-5
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 4,770,601	\$ 81,541	\$ 4,852,142
Accounts Receivable	3,500	913	4,413
Taxes Receivable	776,648	-	776,648
Inventories	-	3,061	3,061
Capital Credits Receivable	111,835	-	111,835
Due from Other Governments	47,346	4,308	51,654
Restricted Assets:			
Net Pension Asset	<u>332,263</u>	<u>11,716</u>	<u>343,979</u>
	<u>6,042,193</u>	<u>101,539</u>	<u>6,143,732</u>
Capital Assets:			
Land	200,432	-	200,432
Construction in Progress	42,226	-	42,226
Buildings	7,543,646	-	7,543,646
Improvements	3,681,109	-	3,681,109
Equipment	1,191,751	24,637	1,216,388
Less: Accumulated Depreciation	<u>(3,357,425)</u>	<u>(18,605)</u>	<u>(3,376,030)</u>
Total Capital Assets, Net of Depreciation	<u>9,301,739</u>	<u>6,032</u>	<u>9,307,771</u>
Total Assets	<u>15,343,932</u>	<u>107,571</u>	<u>15,451,503</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related Deferred Outflows	<u>631,626</u>	<u>22,272</u>	<u>653,898</u>
LIABILITIES			
Accounts Payable and Accrued Wages	55,758	824	56,582
Contracts Payable	146,970	6,381	153,351
Unearned Revenue	-	3,936	3,936
Other Current Liabilities	50,507	1,764	52,271
Long-term Liabilities:			
Due Within One Year	124,038	-	124,038
Due in More than One Year	<u>871,105</u>	<u>2,215</u>	<u>873,320</u>
Total Liabilities	<u>1,248,378</u>	<u>15,120</u>	<u>1,263,498</u>

The accompanying notes are an integral part of this statement.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Levied for Future Periods	764,400	-	764,400
Pension-related Deferred Inflows	<u>490,260</u>	<u>17,287</u>	<u>507,547</u>
Total Deferred Inflows of Resources	<u>1,254,660</u>	<u>17,287</u>	<u>1,271,947</u>
NET POSITION			
Net Investment in Capital Assets	8,476,739	6,032	8,482,771
Restricted:			
Capital Outlay	140,966	-	140,966
Special Education	542,232	-	542,232
Proportionate Share of Net Pension Asset	473,629	16,701	490,330
Unrestricted	<u>3,838,954</u>	<u>74,703</u>	<u>3,913,657</u>
TOTAL NET POSITION	<u>\$ 13,472,520</u>	<u>\$ 97,436</u>	<u>\$ 13,569,956</u>

The accompanying notes are an integral part of this statement.

**Wall School District No. 51-5
Statement of Activities
For the Year Ended June 30, 2016**

Functions/Programs	Expenses	Charges for Services
GOVERNMENTAL ACTIVITIES		
Instruction	\$ 1,781,105	\$ 863
Support Services	1,004,505	20,510
Community Services	65,965	-
Cocurricular Activities	346,683	20,391
Depreciation - Unallocated *	25,294	-
Total Governmental Activities	<u>3,223,552</u>	<u>41,764</u>
BUSINESS-TYPE ACTIVITIES		
After School Program	35,827	33,966
Food Service	121,641	84,300
Total Business-type Activities	<u>157,468</u>	<u>118,266</u>
Total Primary Government	<u>\$ 3,381,020</u>	<u>\$ 160,030</u>

* This amount excludes the depreciation that is included in the direct expenses of the various functions. See Note 4.

The accompanying notes are an integral part of this statement.

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
		Governmental Activities	Business-type Activities	Total
\$ 128,998	50,997	\$ (1,600,247)	\$ -	\$ (1,600,247)
22,671	-	(961,324)	-	(961,324)
-	-	(65,965)	-	(65,965)
-	-	(326,292)	-	(326,292)
-	-	(25,294)	-	(25,294)
<u>151,669</u>	<u>50,997</u>	<u>(2,979,122)</u>	<u>-</u>	<u>(2,979,122)</u>
-	-	-	(1,861)	(1,861)
<u>51,031</u>	<u>-</u>	<u>-</u>	<u>13,690</u>	<u>13,690</u>
<u>51,031</u>	<u>-</u>	<u>-</u>	<u>11,829</u>	<u>11,829</u>
<u>\$ 202,700</u>	<u>\$ 50,997</u>	<u>(2,979,122)</u>	<u>11,829</u>	<u>(2,967,293)</u>
GENERAL REVENUES				
Taxes:				
Property Taxes		1,528,823	-	1,528,823
Gross Receipts Taxes		137,044	-	137,044
Revenue From State Sources:				
State Aid		813,710	-	813,710
Revenue From Federal Sources		627,935	-	627,935
Revenue From Intermediate Sources		16,828	-	16,828
Unrestricted Investment Earnings		6,625	109	6,734
Other General Revenues		4,339	2,417	6,756
Total General Revenues		<u>3,135,304</u>	<u>2,526</u>	<u>3,137,830</u>
CHANGE IN NET POSITION		156,182	14,355	170,537
NET POSITION - BEGINNING		<u>13,316,338</u>	<u>83,081</u>	<u>13,399,419</u>
NET POSITION - ENDING		<u>\$ 13,472,520</u>	<u>\$ 97,436</u>	<u>\$ 13,569,956</u>

The accompanying notes are an integral part of this statement.

Wall School District No. 51-5
Balance Sheet - Governmental Funds
June 30, 2016

	<u>General Fund</u>	<u>Capital Outlay Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 4,054,742	\$ 186,897
Permanent Incidental Account	3,500	-
Taxes Receivable, Current	352,079	244,152
Taxes Receivable, Delinquent	5,454	1,739
Due from Other Funds	394	-
Capital Credits Receivable	111,835	-
Due From Other Governments	27,511	-
	<u>4,555,515</u>	<u>432,788</u>
TOTAL ASSETS		
	<u>\$ 4,555,515</u>	<u>\$ 432,788</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 7,702	\$ 48,056
Contracts Payable	140,524	-
Payroll Deductions and Employer Match Payable	47,240	-
Due to Other Funds	-	394
	<u>195,466</u>	<u>48,450</u>
Total Liabilities		
Deferred Inflows of Resources:		
Property Taxes Levied for Future Periods	351,828	242,045
Delinquent Taxes Not Available	5,454	1,739
Capital Credits Redeemable in Future Periods	111,835	-
	<u>469,117</u>	<u>243,784</u>
Total Deferred Inflows of Resources		
Fund Balances (Deficits)		
Restricted		
For Capital Outlay	-	140,554
For Special Education	-	-
Unassigned	3,890,932	-
	<u>3,890,932</u>	<u>140,554</u>
Total Fund Balances		
	<u>\$ 4,555,515</u>	<u>\$ 432,788</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		

The accompanying notes are an integral part of this statement.

Special Education Fund	Total Governmental Funds
\$ 528,962	\$ 4,770,601
-	3,500
172,005	768,236
1,219	8,412
-	394
-	111,835
<u>19,835</u>	<u>47,346</u>
<u>\$ 722,021</u>	<u>\$ 5,710,324</u>

\$ -	\$ 55,758
6,446	146,970
3,267	50,507
<u>-</u>	<u>394</u>
<u>9,713</u>	<u>253,629</u>

170,527	764,400
1,219	8,412
<u>-</u>	<u>111,835</u>
<u>171,746</u>	<u>884,647</u>

-	140,554
540,562	540,562
<u>-</u>	<u>3,890,932</u>
<u>540,562</u>	<u>4,572,048</u>

<u>\$ 722,021</u>	<u>\$ 5,710,324</u>
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The accompanying notes are an integral part of this statement.

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Wall School District No. 51-5
Reconciliation of the Governmental Funds Balance
Sheet to the Statement of Net Position
June 30, 2016

Total Fund Balances - Governmental Funds	\$ 4,572,048
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 governmental funds.	9,301,739
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Notes Payable	(825,000)
Early Retirement Liability	(23,538)
Compensated Absences	(32,820)
OPEB Liability	(113,785)
Assets that are not available to pay for current period expenditures are deferred in the governmental funds. Assets at year end consist of:	
Delinquent Property Taxes Receivable	8,412
Capital Credits Non-redeemable	111,835
Proportionate Share of Net Pension Asset	332,263
Pension-related Deferred Outflows are components of pension asset and changes are not reported in the funds	631,626
Pension-related Deferred Inflows are components of pension asset and changes are not reported in the funds	<u>(490,260)</u>
	<u>\$ 13,472,520</u>

The accompanying notes are an integral part of this statement.

Wall School District No. 51-5
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
For the Year Ended June 30, 2016

	<u>General Fund</u>	<u>Capital Outlay Fund</u>
REVENUES		
Revenue From Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 713,074	\$ 469,970
Prior Years' Ad Valorem	6,508	1,859
Gross Receipts Taxes	137,044	-
Penalties and Interest on Taxes	2,273	1,358
Cocurricular Activities	20,391	-
Earnings on Deposits	4,940	1,034
Other Local Revenue	<u>54,030</u>	<u>9,907</u>
Total Revenue From Local Sources	<u>938,260</u>	<u>484,128</u>
Revenue From Intermediate Sources:		
County Sources	<u>16,154</u>	<u>396</u>
Revenue From State Sources:		
Unrestricted Grants-in-Aid	<u>813,710</u>	<u>-</u>
Revenue From Federal Sources:		
Unrestricted Grants-in-Aid	627,935	-
Restricted Grants-in-Aid	<u>95,249</u>	<u>-</u>
Total Revenue From Federal Sources	<u>723,184</u>	<u>-</u>
TOTAL REVENUE	<u>2,491,308</u>	<u>484,524</u>

The accompanying notes are an integral part of this statement.

<u>Special Education Fund</u>	<u>Total Governmental Funds</u>
\$ 330,205	\$ 1,513,249
1,303	9,670
-	137,044
947	4,578
-	20,391
651	6,625
<u>2,815</u>	<u>66,752</u>
<u>335,921</u>	<u>1,758,309</u>
<u>278</u>	<u>16,828</u>
<u>-</u>	<u>813,710</u>
-	627,935
<u>56,420</u>	<u>151,669</u>
<u>56,420</u>	<u>779,604</u>
<u>392,619</u>	<u>3,368,451</u>

The accompanying notes are an integral part of this statement.

Wall School District No. 51-5
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds (Continued)
For the Year Ended June 30, 2016

	General Fund	Capital Outlay Fund
EXPENDITURES		
Instructional Services:		
Regular Programs	1,256,330	92,085
Special Programs	71,552	-
Total Instructional Services	<u>1,327,882</u>	<u>92,085</u>
Support Services:		
Pupils	60,606	-
Instructional Staff	67,537	1,755
General Administration	250,187	-
School Administration	87,542	-
Business	376,822	89,559
Special Education	-	-
Total Support Services	<u>842,694</u>	<u>91,314</u>
Community Services	<u>10,040</u>	<u>-</u>
Cocurricular Activities:		
Male Activities	46,937	19,840
Female Activities	46,588	353
Transportation	19,439	-
Combined Activities	56,970	1,289
Total Cocurricular Activities	<u>169,934</u>	<u>21,482</u>
Capital Outlay	<u>-</u>	<u>685,622</u>
Debt Services	<u>-</u>	<u>75,000</u>
TOTAL EXPENDITURES	<u>2,350,550</u>	<u>965,503</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>140,758</u>	<u>(480,979)</u>
OTHER FINANCING SOURCES		
Debt Proceeds	-	900,000
Transfers In (Out)	(300,000)	300,000
Sale of Surplus Property	-	1,339
TOTAL OTHER FINANCING SOURCES	<u>(300,000)</u>	<u>1,201,339</u>
NET CHANGE IN FUND BALANCES	<u>(159,242)</u>	<u>720,360</u>
FUND BALANCE - BEGINNING	<u>4,050,174</u>	<u>(579,806)</u>
FUND BALANCE - ENDING	<u>\$ 3,890,932</u>	<u>\$ 140,554</u>

The accompanying notes are an integral part of this statement.

<u>Special Education Fund</u>	<u>Total Governmental Funds</u>
-	1,348,415
<u>130,629</u>	<u>202,181</u>
<u>130,629</u>	<u>1,550,596</u>
67,479	128,085
-	69,292
-	250,187
-	87,542
-	466,381
<u>11,462</u>	<u>11,462</u>
<u>78,941</u>	<u>1,012,949</u>
<u>-</u>	<u>10,040</u>
-	66,777
-	46,941
-	19,439
<u>-</u>	<u>58,259</u>
<u>-</u>	<u>191,416</u>
<u>-</u>	<u>685,622</u>
<u>-</u>	<u>75,000</u>
<u>209,570</u>	<u>3,525,623</u>
<u>183,049</u>	<u>(157,172)</u>
-	900,000
-	-
<u>-</u>	<u>1,339</u>
<u>-</u>	<u>901,339</u>
<u>183,049</u>	<u>744,167</u>
<u>357,513</u>	<u>3,827,881</u>
<u>\$ 540,562</u>	<u>\$ 4,572,048</u>

The accompanying notes are an integral part of this statement.

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Wall School District No. 51-5
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds	\$	744,167
Amounts reported for governmental activities in the Statement of Activities are different because:		
Gains on disposal of capital assets are not reported in the funds but are reported in the governmental activities.		3,000
Governmental funds report capital outlays as expenditures, while in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount that capital outlays exceeded depreciation expense.		223,140
The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund statements require the amounts to be "available".		6,944
Governmental funds do not reflect the change in early retirement benefits payable, compensated absences, and OPEB, but the Statement of Activities reflects the change in these accruals through expenses.		(864,178)
Net pension revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		<u>43,109</u>
Change in Net Position of Governmental Activities	\$	<u><u>156,182</u></u>

The accompanying notes are an integral part of this statement.

Wall School District No. 51-5
Statement of Net Position - Proprietary Funds
June 30, 2016

	Enterprise Funds		Totals
	Food Service Fund	After School Fund	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 21,213	\$ 60,328	\$ 81,541
Accounts Receivable, Net	913	-	913
Due From Other Governments	4,308	-	4,308
Inventories	3,061	-	3,061
Total Current Assets	<u>29,495</u>	<u>60,328</u>	<u>89,823</u>
Noncurrent Assets:			
Machinery and Equipment - Local Funds	24,637	-	24,637
Less: Accumulated Depreciation	<u>(18,605)</u>	<u>-</u>	<u>(18,605)</u>
Total Noncurrent Assets	<u>6,032</u>	<u>-</u>	<u>6,032</u>
Restricted Assets:			
Net Pension Asset	<u>7,438</u>	<u>4,278</u>	<u>11,716</u>
Total Assets	<u>42,965</u>	<u>64,606</u>	<u>107,571</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferred Outflows	<u>14,139</u>	<u>8,133</u>	<u>22,272</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	10	814	824
Contracts Payable	3,471	2,910	6,381
Payroll Deductions and Employer Matching Payable	530	1,234	1,764
Unearned Revenue	<u>2,226</u>	<u>1,710</u>	<u>3,936</u>
Total Current Liabilities	<u>6,237</u>	<u>6,668</u>	<u>12,905</u>
Long-term Liabilities:			
OPEB Liability	<u>2,215</u>	<u>-</u>	<u>2,215</u>
Total Liabilities	<u>8,452</u>	<u>6,668</u>	<u>15,120</u>

The accompanying notes are an integral part of this statement.

	<u>Enterprise Funds</u>		
	<u>Food Service Fund</u>	<u>After School Fund</u>	<u>Totals</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related Deferred Inflows	<u>10,974</u>	<u>6,313</u>	<u>17,287</u>
NET POSITION			
Net Investment in Capital Assets	6,032	-	6,032
Restricted, Net Pension Asset	10,603	6,098	16,701
Unrestricted	<u>21,043</u>	<u>53,660</u>	<u>74,703</u>
TOTAL NET POSITION	<u>\$ 37,678</u>	<u>\$ 59,758</u>	<u>\$ 97,436</u>

The accompanying notes are an integral part of this statement.

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Wall School District No. 51-5
Statement of Revenues, Expenses and Changes in Fund
Net Position - Proprietary Funds
For the Year Ended June 30, 2016

	Enterprise Funds		Totals
	Food Service Fund	After School Fund	
OPERATING REVENUE			
Sales to Pupils	\$ 80,866	\$ -	\$ 80,866
Sales to Adults	3,434	-	3,434
Other Operating Revenue	-	33,966	33,966
Total Operating Revenue	<u>84,300</u>	<u>33,966</u>	<u>118,266</u>
OPERATING EXPENSES			
Salaries	42,839	22,669	65,508
Employee Benefits	8,883	2,830	11,713
Purchased Services	3,082	3,528	6,610
Supplies	984	6,800	7,784
Cost of Sales - Purchased Food	55,435	-	55,435
Cost of Sales - Donated Food	9,024	-	9,024
Depreciation	1,394	-	1,394
Total Operating Expenses	<u>121,641</u>	<u>35,827</u>	<u>157,468</u>
OPERATING INCOME (LOSS)	<u>(37,341)</u>	<u>(1,861)</u>	<u>(39,202)</u>
NONOPERATING REVENUE			
Local Sources:			
Interest Earned	25	84	109
Other	2,417	-	2,417
State Sources:			
Cash Reimbursements	760	-	760
Federal Sources:			
Cash Reimbursements	41,247	-	41,247
Donated Food	9,024	-	9,024
Total Nonoperating Revenue	<u>53,473</u>	<u>84</u>	<u>53,557</u>
CHANGE IN NET POSITION	16,132	(1,777)	14,355
NET POSITION - BEGINNING	<u>21,546</u>	<u>61,535</u>	<u>83,081</u>
NET POSITION - ENDING	<u>\$ 37,678</u>	<u>\$ 59,758</u>	<u>\$ 97,436</u>

The accompanying notes are an integral part of this statement.

Wall School District No. 51-5
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2016

	Enterprise Funds		Totals
	Food Service Fund	After School Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts From Customers	\$ 79,289	\$ 33,012	\$ 112,301
Payments to Suppliers	(58,699)	(10,479)	(69,178)
Payments to Employees	(51,636)	(23,618)	(75,254)
Net Cash Provided (Used) by Operating Activities	(31,046)	(1,085)	(32,131)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Subsidies	43,240	(837)	42,403
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Earnings	25	84	109
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,219	(1,838)	10,381
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	8,994	62,166	71,160
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 21,213	\$ 60,328	\$ 81,541

The accompanying notes are an integral part of this statement.

	Enterprise Funds		Totals
	Food Service Fund	After School Fund	
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (37,341)	\$ (1,861)	\$ (39,202)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	1,394	-	1,394
Cost of Sales - Donated Food	9,024	-	9,024
Net Pension Revenue		-	-
Change in Assets and Liabilities:			
Accounts Receivable	(697)	-	(697)
Due From Other Governments	(4,308)	-	(4,308)
Due From Other Funds	508	-	508
Inventories	901	-	901
Accounts Payable	(99)	(151)	(250)
Contracts Payable	87	1,393	1,480
Payroll Deductions and Employer Matching Payable	(1)	488	487
OPEB Liability	-	-	-
Unearned Revenue	(514)	(954)	(1,468)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (31,046)</u>	<u>\$ (1,085)</u>	<u>\$ (32,131)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Value of Commodities Received	<u>\$ 9,024</u>	<u>\$ -</u>	<u>\$ 9,024</u>

The accompanying notes are an integral part of this statement.

Wall School District No. 51-5
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2016

	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 50,645
Certificates of Deposit	<u>46,950</u>	<u>8,516</u>
TOTAL ASSETS	<u>\$ 46,950</u>	<u>\$ 59,161</u>
LIABILITIES		
Amounts Held for Others	<u>\$ -</u>	<u>\$ 59,161</u>
NET POSITION		
Restricted for Scholarships:		
Nonexpendable	37,800	
Expendable	<u>9,150</u>	
TOTAL NET POSITION	<u>\$ 46,950</u>	

The accompanying notes are an integral part of this statement.

Wall School District No. 51-5
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
June 30, 2016

	<u>Private- Purpose Trust Funds</u>
ADDITIONS	
Private Donations	<u>\$ 650</u>
DEDUCTIONS	
Scholarships Awarded	<u>1,750</u>
CHANGE IN NET POSITION	(1,100)
NET POSITION - BEGINNING	<u>48,050</u>
NET POSITION - ENDING	<u>\$ 46,950</u>

The accompanying notes are an integral part of this statement.

Wall School District No. 51-5
Notes to the Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The reporting entity of Wall School District No. 51-5 (the District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The District is a public education agency operating under the applicable laws and regulations of the State of South Dakota. It is governed by a seven member Board of Trustees (the Board) elected by registered voters of the District. The Board has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has accountability for fiscal matters. There are no component units included within the reporting entity.

The District participates in a cooperative service unit with several other school districts. See Note 10 - Joint Venture for the specific disclosure. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit but are discussed in these notes because of the nature of their relationship with the joint venture.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the overall government, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities.

These statements distinguish between the governmental and business-type activities of the District. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Wall School District No. 51-5
Notes to the Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. Major individual governmental and proprietary funds are reported in separate columns.

C. FUND TYPES AND MAJOR FUNDS

An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is a primary operating fund of the District or if it meets the following criteria:

1. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 year to year or because of public interest in the fund's operations.

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

Governmental Funds:

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

Special Revenue Fund Types - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The District's special revenue funds are as follows:

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

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

Wall School District No. 51-5
Notes to the Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds:

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

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

After School Fund - A fund used to record financial transactions related to the after school program. This fund is financed by user charges and grants. This is a major fund.

Fiduciary Funds:

Fiduciary funds are never considered to be major funds.

Private-Purpose Trust Fund Types - Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefits individuals, private organizations, or other governments. The District maintains several Scholarship Funds. The purpose of these funds is to provide scholarships to qualifying students.

Agency Fund Types - Agency funds are used to account for resources held by the District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of the results of operations. The District maintains a variety of agency funds to hold assets as an agent in a trustee capacity for various classes, clubs, etc.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Wall School District No. 51-5
Notes to the Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes and capital credits, generally are recognized when they become measurable and available. "Available" means resources are collected or will 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 District considers significant revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

Receivables, such as taxes receivable, may be measurable but not available. Reported deferred inflows of resources are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

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

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

E. CASH AND CASH EQUIVALENTS

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

F. INVENTORY

Inventory is valued at the lower of cost or market. The cost valuation method is first-in, first-out for enterprise fund inventories and average cost for governmental fund inventories. Donated commodities are valued at estimated market value based on the USDA price list at the date of receipt.

Inventory in the governmental activities, business-type activities, governmental and proprietary funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Inventories reported in the fund financial statements that have not been consumed are generally offset by a nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. At June 30, 2016, there was no inventory recorded in the governmental funds.

Wall School District No. 51-5
Notes to the Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. CAPITAL ASSETS

Capital assets include land, buildings, improvements, 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 of 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 or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Interest costs incurred during construction of capital assets are not capitalized.

Capitalization thresholds (the dollar value above which individual asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide financial statements and proprietary funds are as follows:

	Capitalization Threshold	Estimated Useful Life
Land	\$ 5,000	-----
Buildings	50,000	50 yrs
Improvements	20,000	20 yrs
Equipment (government-wide)	5,000	3-15 yrs
Equipment (proprietary funds)	1,000	3-15 yrs

Depreciation expense is calculated using the straight-line and composite methods. Depreciation of exhaustible capital assets is recorded as an allocated expense in the Statement of Activities. The depreciation of capital assets that serve numerous functions of the District is reported as unallocated depreciation in the Statement of Activities. 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 governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide financial statements.

H. LONG-TERM LIABILITIES

The accounting treatment of long-term liabilities depends on whether the related 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 long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. Long-term liabilities consist of compensated absences, other post-employment benefit (OPEB) liability, and early retirement payments.

Wall School District No. 51-5
Notes to the Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences Payable - Compensated absences payable is the annual leave earned by employees. Vacation leave is earned by twelve-month employees at the rate of one day per month worked. Sick leave is earned by the employees at the rate of twelve days per year. Upon termination, employees are not entitled to receive compensation for their accrued vacation leave, but sick leave balances may be paid out depending on the employees' age and years of service. Employees receive payment for leave balances up to 60 days at a rate of \$30 per day. The District's liability for accrued sick leave is reported as compensated absences in Note 6. For employees normally paid out of the governmental funds, these amounts are charged as an expenditure at the time of termination or at the time the sick leave is used. For employees normally paid out of the enterprise fund, these amounts are recorded as an expense when earned.

Fund Financial Statements:

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

I. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The District reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The only deferred outflow of resources reported is a deferred amount arising from the District's pension plan for qualified retirees as discussed in Note 9.

The District's governmental funds report a separate section for deferred inflows of resources. This section reflects a decrease in net position that applies to a future period or periods. Under the modified accrual basis of accounting, governmental fund revenues are not recognized until available (collected no later than 60 days after the end of the District's fiscal year). The District reports the following as deferred inflows of resources in the governmental funds: property taxes levied but not collected within the available period; property taxes collected within the available period that are intended to finance the next fiscal year; and capital credits that are owed to the District, but will be received at some point in the future and grant revenues earned but not collected within the 60-day available period. In the government-wide financial statements, the District reports deferred inflows of resources for property taxes intended to finance the next fiscal year and pension-related amounts. The District reports deferred inflows of in the proprietary fund statements for pension-related amounts.

J. NET POSITION AND FUND BALANCE

Government-wide Financial Statements:

It is the District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Net position reported on the Statement of Net Position includes the following three components:

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 capital outlay certificates or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Wall School District No. 51-5
Notes to the Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted - 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.

Unrestricted - Represents all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements:

The District classifies government fund balances as follows:

Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted - Constraints are placed on the use of resources by either (a) external creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts that are constrained by the District’s intent to be used for specific purposes but are neither restricted nor committed. The Board and management have the authority to assign fund balances.

Unassigned - Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned.

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The District does not have a minimum fund balance policy.

Proprietary net position is classified the same as in the government-wide financial statements. Fiduciary net position (except for Agency Funds, which do not have net position) is reported as net position held in trust for other purposes.

K. PROPRIETARY FUND REVENUE AND EXPENSE CLASSIFICATIONS

In the Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

L. PROGRAM REVENUES

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

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.

Program Revenues - 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.

Wall School District No. 51-5
Notes to the Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Revenues - 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.

M. PENSIONS

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

NOTE 2 - DEPOSITS AND INVESTMENTS

The District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Statutes impose various restrictions on deposits and investments. These restrictions are summarized as follows:

Deposits - The District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1, and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA," or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota. Credit Risk - State law limits eligible investments for the District, as discussed above. The District 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 District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2016, the District's deposits in financial institutions were not exposed to custodial credit risk.

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

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.

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

Wall School District No. 51-5
Notes to the Financial Statements
June 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 District's policy is to credit all income from investments to the fund making the investment with the exception of capital credits revenue which is credited entirely to the General Fund.

NOTE 3 - DUE FROM OTHER GOVERNMENTS

Due from other governments consists of the following as of June 30, 2016:

	Governmental Funds
SD Department of Education	\$ 51,654

NOTE 4 - INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS

Interfund transfers for the year ended June 30, 2016 were as follows:

	Transfers To:
<u>Transfers From:</u>	Capital Outlay Fund
General Fund	\$ 300,000

Transfers were made for the following purposes:

- Transfer from the General Fund to the Capital Outlay Fund for football field construction project.

Amounts due to/due from for the year ended June 30, 2016 were as follows:

	Amounts Due From:
<u>Amounts Due to:</u>	Capital Outlay Fund
General Fund	\$ 394

Interfund borrowings were for cash flow needs of the recipient funds.

Wall School District No. 51-5
Notes to the Financial Statements
June 30, 2016

NOTE 5 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2016 is as follows:

	<u>Balance 6/30/2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 6/30/2016</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 200,432	\$ -	\$ -	\$ 200,432
Construction in Progress	2,444,610	647,678	(3,050,062)	42,226
Other Capital Assets:				
Buildings	7,543,646	-	-	7,543,646
Improvements	631,047	3,050,062	-	3,681,109
Equipment	<u>1,311,219</u>	<u>37,943</u>	<u>(157,411)</u>	<u>1,191,751</u>
Subtotal	<u>12,130,954</u>	<u>3,735,683</u>	<u>(3,207,473)</u>	<u>12,659,164</u>
Less Accumulated Depreciation for:				
Buildings	1,947,509	78,244	-	2,025,753
Improvements	356,174	179,981	-	536,155
Equipment	<u>745,371</u>	<u>204,257</u>	<u>(154,111)</u>	<u>795,517</u>
Subtotal	<u>3,049,054</u>	<u>462,482</u>	<u>(154,111)</u>	<u>3,357,425</u>
Net Capital Assets	<u>\$ 9,081,900</u>	<u>\$ 3,273,201</u>	<u>\$ (3,361,584)</u>	<u>\$ 9,301,739</u>
Business-type Activities:				
Equipment	\$ 24,637	\$ -	\$ -	\$ 24,637
Less: Accumulated Depreciation	<u>17,211</u>	<u>1,394</u>	<u>-</u>	<u>18,605</u>
Net Capital Assets	<u>\$ 7,426</u>	<u>\$ (1,394)</u>	<u>\$ -</u>	<u>\$ 6,032</u>

Construction in progress includes \$42,226 of costs related to the design and construction of the District's concession stands and bathroom for the football field complex. The construction costs for the athletic complex are being funded with capital reserves and a \$900,000 loan passed through West River Electric Association Inc. from the Rural Development Fund.

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 186,519
Support Services	30,204
Community Services	55,925
Cocurricular Activities	164,540
Depreciation not Allocated to Specific Functions	<u>25,294</u>
Total Depreciation Expense	<u>\$ 462,482</u>

Wall School District No. 51-5
Notes to the Financial Statements
June 30, 2016

NOTE 6 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

	<u>Balance</u> <u>6/30/2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>6/30/2016</u>	<u>Amounts Due</u> <u>Within 1 Year</u>
Governmental Activities:					
Note Payable	\$ -	\$ 900,000	\$ (75,000)	\$ 825,000	\$ 90,000
Other Liabilities:					
Compensated Absences	32,993	10,440	(10,613)	32,820	10,500
Early Retirement Payment	-	23,538	-	23,538	23,538
OPEB Liability	<u>97,973</u>	<u>15,812</u>	<u>-</u>	<u>113,785</u>	<u>-</u>
Total Long-term Liabilities	<u>\$ 130,966</u>	<u>\$ 949,790</u>	<u>\$ (85,613)</u>	<u>\$ 995,143</u>	<u>\$ 124,038</u>
Business-type Activities:					
OPEB Liability	<u>\$ 2,215</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,215</u>	<u>\$ -</u>

The District has a note payable with an outstanding balance of \$825,000 to West River Electric Association. The loan bears no interest and requires monthly payments of \$7,500 until paid in full in July 2025. The note is unsecured.

OPEB and Compensated Absence payments are made from the fund that the payroll expenditures are charged.

Early retirement benefits are available to teachers and administrators who meet certain criteria. Upon retirement as provided by the early retirement criteria, the employee is entitled to receive a cash benefit which is dependent upon several criteria including the employee's last three contract salaries. At June 30, 2016, there are no employees entitled to receive early retirement payments. The final retirement payment was made from the General Fund during the year ended June 30, 2016.

NOTE 7 - RESTRICTED NET POSITION

The following table shows a summary of restricted net position as shown on the Statement of Net Position:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
Capital Outlay	Law	\$ 140,966
Special Education	Law	542,232
Share of Net Pension Asset	Law	<u>490,330</u>
		<u>\$ 1,173,528</u>

NOTE 8 - PROPERTY TAX

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

Wall School District No. 51-5
Notes to the Financial Statements
June 30, 2016

NOTE 8 - PROPERTY TAX (CONTINUED)

District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

The District is permitted by state statute to levy the following amounts of taxes per \$1,000 of taxable valuation of the property in the District:

General Fund:		
Agricultural Property	\$	1.784
Owner Occupied		4.257
Commercial		9.116
Capital Outlay Fund		2.000
Special Education Fund		1.401

State statute allows the General Fund tax rates to be increased by special election of the voters.

NOTE 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 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 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 by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided

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

Wall School District No. 51-5
Notes to the Financial Statements
June 30, 2016

NOTE 9- PENSION PLAN (CONTINUED)

The annual increase in the amount of the SDRS benefits payable on each July 1st 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 District's share of contributions to the SDRS for the fiscal years ended June 30, 2016, 2015, and 2014 were \$91,779, \$89,096 and \$90,852, respectively, and equal to the required contributions each year.

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

At June 30, 2015, SDRS is 104.1% 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 District as of the measurement period ending June 30, 2015 and reported by the District as of June 30, 2016 are as follows:

Proportionate Share of Net Position Restricted for Pension Benefits	\$ 8,740,027
Less Proportionate Share of Total Pension Liability	<u>8,396,048</u>
Proportionate Share of Net Pension Liability (Asset)	<u>\$ (343,979)</u>

At June 30, 2016, the District reported an asset of \$343,979 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015 and the total pension asset used to calculate the net pension asset was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the District's proportion was 0.081% which is a decrease of 0.0027% from its proportion measured as of June 30, 2015.

Wall School District No. 51-5
Notes to the Financial Statements
June 30, 2016

NOTE 9 - PENSION PLAN (CONTINUED)

For the year ended June 30, 2016, the District recognized pension expense of \$40,350. At June 30, 2016 the District 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	\$ 70,431	\$ -
Changes in Assumption	272,753	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	210,131	507,547
Changes in Proportion and Difference between District Contributions and proportionate Share of Contributions	8,804	-
District Contributions Subsequent to the Measurement Date	<u>91,779</u>	<u>-</u>
Total	<u>\$ 653,898</u>	<u>\$ 507,547</u>

An amount of \$91,779 reported as deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. 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	\$ 131,173
2017	131,173
2018	15,991
2019	58,145
2020	-
Thereafter	<u>-</u>
Total	<u>\$ 336,482</u>

Actuarial Assumptions

The total pension liability (asset) in the June 30, 2015 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.

Wall School District No. 51-5
Notes to the Financial Statements
June 30, 2016

NOTE 9 - PENSION PLAN (CONTINUED)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. 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, 2015 (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	61.0%	4.5%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.2%
Cash	2.0%	0.8%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension asset was 7.25% through 2017 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

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

The following presents the District's proportionate share of net pension asset calculated using the discount rate of 7.25% through 2017 and 7.50% thereafter, as well as what the District's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net Pension (Asset)/Liability	<u>\$ 865,790</u>	<u>\$ (343,979)</u>	<u>\$ (1,330,440)</u>

Wall School District No. 51-5
Notes to the Financial Statements
June 30, 2016

NOTE 9 - PENSION PLAN (CONTINUED)

Pension Plan Fiduciary Net Position

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

NOTE 10 - JOINT VENTURE

The District participates in the Black Hills Educational Benefits Cooperative (BHEBC); a cooperative service unit formed for the purpose of providing health insurance services to the member school districts. The relative percentage of participation of each member in BHEBC was not deemed to be a measurable matter.

The members of BHEBC are Black Hills Special Service Cooperative, New Underwood School District, Wall School District, Custer School District, Oelrichs School District, and Belle Fourche School District.

BHEBC's governing board is composed of two representatives from each member school district. The board is responsible for adopting BHEBC's budget and setting service fees at a level adequate to fund the adopted budget. Members are not liable for claims in excess of BHEBC's assets.

Separate financial statements may be obtained by writing to BHSSC, PO Box 218, Sturgis SD 57785. At June 30, 2016, this joint venture had assets of \$4,166,339, current liabilities of \$377,468, and total fund equity of \$3,788,871 (unaudited).

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2016, the District managed its risks as follows:

Employee Health Insurance:

As discussed in Note 10, the District joined together with other educational units in the state to form a public entity risk pool. This is a public entity risk pool currently operating as a common risk management and insurance program for six member districts. The District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage provides a deductible of \$1,500 per person up to \$3,000 per family. The plan also provides for coinsurance of 70 or 80 percent up to \$6,000. The coverage also includes a \$1,000,000 lifetime maximum payment per person.

The District does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Wall School District No. 51-5
Notes to the Financial Statements
June 30, 2016

NOTE 11 - RISK MANAGEMENT (CONTINUED)

Liability Insurance:

The District joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made or by or against the District. The District pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage. The District pays an annual premium to the pool to provide coverage for property insurance, general liability, automobile, crime, boiler and machinery, umbrella liability, and errors and omissions.

The agreement with the Associated School Boards of South Dakota Property Liability Fund provides that the above coverage will be provided with a \$2,000,000 limit on liability coverage, \$250,000,000 limit on property, \$50,000,000 limit on boiler and machinery, and \$350,000 for various criminal acts. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of deductibles. As of June 30, 2016 the District carried the following deductibles related to insurance coverage:

General Liability	\$ -0-
Boiler and Machinery	5,000
Errors and Omissions	10,000
Defense Only Claims	5,000
Property	500
Automobile	-0-
Crime	1,000
Employee Benefits Liability	1,000

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

Workmen's Compensation:

The District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool (the Fund) which provides workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program.

The District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report and to cooperate with the Fund to resolve any worker's compensation claims. The District pays an annual premium to provide worker's compensation coverage for its employees under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The District may also be responsible for additional assessments in the event the Fund is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments.

Wall School District No. 51-5
Notes to the Financial Statements
June 30, 2016

NOTE 11 - RISK MANAGEMENT (CONTINUED)

Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the Fund of all participants for the year in which the shortfall occurs. The Fund provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the Fund in excess of the retained risk.

For the year ended June 30, 2016, the Fund's retained risk was \$250,000 per occurrence, with additional coverage of \$1,000,000 per occurrence. There was no additional assessment charged to Fund members for the year ended June 30, 2016.

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

Unemployment Benefits:

The District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. Unemployment claims, if any, are intended to be paid from current year appropriations, normally from the General Fund.

Claims are billed by the state quarterly. During the year ended June 30, 2016, no claims had been filed and paid for unemployment benefits and none deemed to be of a material nature are anticipated in the next fiscal year.

NOTE 12 - CONCENTRATIONS

The District is dependent upon program revenues and operating revenues from the State of South Dakota for its primary existence.

NOTE 13 - POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description

Wall School District No. 51-5 offers a health insurance plan, established under SDCL 13-10-3 through the Black Hills Educational Benefits Cooperative (BHEBC), which is a cooperative service unit formed for the purpose of providing health insurance services to member school districts as described in Note 9. The members participate in a cost-sharing plan by pooling their participants to receive better insurance premiums than the members would receive individually. The premiums of the covered retirees are established by BHEBC, but the District's board determines retiree and employer contribution rates. Because of this cost-sharing structure, the health insurance plan would fall under a cost-sharing multiple-employer OPEB plan arrangement. However, the members have not committed to share the annual OPEB costs, actuarial accrued liabilities, plan assets, or unfunded actuarial accrued liabilities, and each member is receiving a separate actuarial report. Because the OPEB costs are not shared, each member's separate actuarial valuation falls under the accounting for single-employer OPEB plans. The health insurance plan does not issue separately stated, stand-alone financial statements.

An employee who is employed by the District and who is eligible to participate in the group health plan is covered. A covered individual who retires from the District, is at least age 55, and is currently participating in the group plan at the time of retirement is eligible for health insurance. Spousal and dependent coverage is provided as long as the required contributions are paid. Spouses may continue coverage after the retiree's coverage terminates until the spouse is eligible for Medicare. Non-spouse dependents may continue coverage until the dependent is eligible for Medicare. The eligible retiree must pay monthly contributions based on 100% of the full active employee premium rate. All coverage ceases when the retiree or spouse attains age 65 or becomes eligible for Medicare except for COBRA continuation if elected.

Wall School District No. 51-5
Notes to the Financial Statements
June 30, 2016

NOTE 13 - POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Funding Policy

Retired employees must pay 100% of the premiums for his or her coverage. Under GASB 45, the District incurs an expense due to the implicit rate subsidy for retirees.

Annual OPEB Cost

For the year ended June 30, 2016, the District did not make any contributions to the Plan and the balance of the OPEB obligation was \$116,000. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 were as follows:

ARC		\$	16,504
Interest on Net OPEB			330
Adjustment to ARC			<u>(407)</u>
Annual OPEB Cost			16,427
Contributions Made			<u>(615)</u>
Change in Net OPEB Obligation			15,812
Net OPEB Obligation-June 30, 2015			<u>100,188</u>
Net OPEB Obligation-June 30, 2016			<u><u>\$ 116,000</u></u>

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 16,581	0.00%	\$ 83,684
6/30/2015	16,504	0.00%	100,188
6/30/2016	16,427	0.00%	116,000

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The state prohibits local governments from separately rating active employees and retirees, therefore both groups are charged an equal, blended premium rate for single or family coverage. Although both groups are charged the same rate, GAAP requires the actuarial amounts to be calculated using age adjusted premiums that approximate costs for retirees separately from those for active employees. The use of age adjusted premiums results in the inclusion of an implicit rate subsidy in the actuarial accrued liability.

Wall School District No. 51-5
Notes to the Financial Statements
June 30, 2016

NOTE 13 - POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Projected Unit Credit actuarial cost method was used to determine the annual required contribution.

The actuarial value of assets must be determined based on some recognition of the fair market value of assets. Initially, the actuarial value of assets is to be equal to the fair market value of assets. This method will be formally adopted after decisions regarding the OPEB Plan's funding and investment policy are made.

The unfunded accrued liability is being amortized as a level dollar amount on an open basis over a period of 30 years.

The actuarial assumptions included:

- The assumed claims costs were determined from the insured premiums and underlying claim experience of the OPEB Plans and actuarial age adjustment factors.
- Health care cost trend rates were 10% for 2013, decreasing 1% each year to 2015 and after, which would be 5%.
- Investment return was calculated at 4.75% per year.
- Salary increases were calculated at 3.0% per year.
- Mortality was according to the RP 2000 Mortality Table.
- Retiree Participation rate was assumed to be 66.7% and initial spouse participation rate was assumed to be 33.3% for both male and female employees.
- Turnover rates were based on Scale T-7 of Actuary's Pension Handbook. Sample rates vary by age:

Age	Rate
20	9.9%
25	9.7%
30	9.3%
35	8.7%
40	7.8%
45	6.4%
50	4.2%
55	1.5%
60	0.1%

- Retirement rates vary by age, as follows:

Age	Rate
55	20.0%
56-57	5.0%
58-59	10.0%
60-61	20.0%
62	40.0%
63-64	10.0%
65 or Over	100.0%

Wall School District No. 51-5
Notes to the Financial Statements
June 30, 2016

NOTE 14 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the independent auditor's report which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**Wall School District No. 51-5
 Budgetary Comparison Schedule -
 General Fund - Budgetary Basis
 For the Year Ended June 30, 2016**

	<u>Budgeted Original</u>	<u>Budgeted Amounts Final</u>
REVENUES		
Revenue From Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 702,500	\$ 702,500
Prior Years' Ad Valorem	2,000	2,000
Gross Receipts Taxes	153,264	153,264
Penalties and Interest on Taxes	3,000	3,000
Cocurricular Activities	16,700	16,700
Earnings on Deposits	1,000	1,000
Other Local Revenue	<u>40,500</u>	<u>40,500</u>
Total Revenue From Local Sources	<u>918,964</u>	<u>918,964</u>
Revenue From Intermediate Sources:		
County Sources	<u>18,000</u>	<u>18,000</u>
Revenue From State Sources:		
Unrestricted Grants-in-Aid	<u>801,000</u>	<u>801,000</u>
Revenue From Federal Sources:		
Unrestricted Grants-in-Aid	705,000	705,000
Restricted Grants-in-Aid	<u>103,850</u>	<u>103,850</u>
Total Revenue From Federal Sources	<u>808,850</u>	<u>808,850</u>
TOTAL REVENUE	<u>2,546,814</u>	<u>2,546,814</u>

See independent auditor's report and notes to required supplementary information.

<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
\$ 713,074	\$ 10,574
6,508	4,508
137,044	(16,220)
2,273	(727)
20,391	3,691
4,940	3,940
<u>54,030</u>	<u>13,530</u>
<u>938,260</u>	<u>19,296</u>
<u>16,154</u>	<u>(1,846)</u>
<u>813,710</u>	<u>12,710</u>
627,935	(77,065)
<u>95,249</u>	<u>(8,601)</u>
<u>723,184</u>	<u>(85,666)</u>
<u>2,491,308</u>	<u>(55,506)</u>

See independent auditor's report and notes to required supplementary information.

Wall School District No. 51-5
Budgetary Comparison Schedule - General Fund - Budgetary Basis
(Continued)
For the Year Ended June 30, 2016

	Budgeted Original	Budgeted Amounts Final
EXPENDITURES		
Instructional Services:		
Regular Programs	1,255,885	1,255,885
Special Programs	79,230	79,230
Total Instructional Services	<u>1,335,115</u>	<u>1,335,115</u>
Support Services:		
Pupils	62,030	62,030
Instructional Staff	83,802	83,802
General Administration	243,314	243,314
School Administration	96,376	96,376
Business	372,073	372,073
Total Support Services	<u>857,595</u>	<u>857,595</u>
Community Services	<u>11,742</u>	<u>11,742</u>
Nonprogrammed Costs	<u>50,218</u>	<u>50,218</u>
Cocurricular Activities:		
Male Activities	45,124	45,124
Female Activities	43,566	43,566
Transportation	24,742	24,742
Combined Activities	55,438	55,438
Total Cocurricular Activities	<u>168,870</u>	<u>168,870</u>
Contingency	<u>10,000</u>	<u>10,000</u>
TOTAL EXPENDITURES	<u>2,433,540</u>	<u>2,433,540</u>
OTHER FINANCING SOURCES		
Transfers In (Out)	<u>(573,205)</u>	<u>(573,205)</u>
NET CHANGE IN FUND BALANCES	<u>(459,931)</u>	<u>(459,931)</u>
FUND BALANCE - BEGINNING	<u>4,050,174</u>	<u>4,050,174</u>
FUND BALANCE - ENDING	<u>\$ 3,590,243</u>	<u>\$ 3,590,243</u>

See independent auditor's report and notes to required supplementary information.

Actual (Budgetary Basis)	Variance Positive (Negative)
1,256,330	(445)
<u>71,552</u>	<u>7,678</u>
<u>1,327,882</u>	<u>7,233</u>
60,606	1,424
67,537	16,265
250,187	(6,873)
87,542	8,834
<u>376,822</u>	<u>(4,749)</u>
<u>842,694</u>	<u>14,901</u>
<u>10,040</u>	<u>1,702</u>
<u>-</u>	<u>50,218</u>
46,937	(1,813)
46,588	(3,022)
19,439	5,303
<u>56,970</u>	<u>(1,532)</u>
<u>169,934</u>	<u>(1,064)</u>
<u>-</u>	<u>10,000</u>
<u>2,350,550</u>	<u>82,990</u>
<u>(300,000)</u>	<u>273,205</u>
<u>(159,242)</u>	<u>300,689</u>
<u>4,050,174</u>	<u>-</u>
<u>\$ 3,890,932</u>	<u>\$ 300,689</u>

See independent auditor's report and notes to required supplementary information.

Wall School District No. 51-5
Budgetary Comparison Schedule - Capital Outlay Fund - Budgetary Basis
For the Year Ended June 30, 2016

	<u>Budgeted Original</u>	<u>Budgeted Amounts Final</u>
REVENUE		
Revenue From Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 444,000	\$ 444,000
Penalties and Interest on Taxes	2,000	2,000
Earnings on Deposits	300	300
Other Local Revenue	<u>-</u>	<u>-</u>
Total Revenue From Local Sources	<u>446,300</u>	<u>446,300</u>
Revenue From Intermediate Sources:		
County Sources	<u>-</u>	<u>-</u>
TOTAL REVENUE	<u>446,300</u>	<u>446,300</u>
EXPENDITURES		
Instructional Services:		
Regular Programs	<u>85,947</u>	<u>85,947</u>
Support Services:		
Instructional Staff	-	-
Business	<u>824,550</u>	<u>824,550</u>
Total Support Services	<u>824,550</u>	<u>824,550</u>
Cocurricular Activities:		
Male Activities	16,008	16,008
Female Activities	3,000	3,000
Combined Activities	<u>-</u>	<u>-</u>
Total Cocurricular Activities	<u>19,008</u>	<u>19,008</u>
Debt Services	<u>90,000</u>	<u>90,000</u>
TOTAL EXPENDITURES	<u>1,019,505</u>	<u>1,019,505</u>
EXCESS OF REVENUE OVER EXPENDITURES	(573,205)	(573,205)
OTHER FINANCING SOURCES		
Debt Proceeds	-	-
Sale of Surplus Property	-	-
Transfers	<u>573,205</u>	<u>573,205</u>
NET CHANGE IN FUND BALANCES	-	-
FUND BALANCE - BEGINNING	<u>(579,806)</u>	<u>(579,806)</u>
FUND BALANCE - ENDING	<u>\$ (579,806)</u>	<u>\$ (579,806)</u>

See independent auditor's report and notes to required supplementary information.

Actual (Budgetary Basis)	Variance Positive (Negative)
\$ 471,829	\$ 27,829
1,358	(642)
1,034	734
9,907	9,907
<u>484,128</u>	<u>27,921</u>
<u>396</u>	<u>396</u>
<u>484,524</u>	<u>28,317</u>
<u>94,318</u>	<u>(8,371)</u>
1,755	(1,755)
<u>768,209</u>	<u>56,341</u>
<u>769,964</u>	<u>54,586</u>
22,209	(6,201)
2,723	277
<u>1,289</u>	<u>(1,289)</u>
<u>26,221</u>	<u>(7,213)</u>
<u>75,000</u>	<u>15,000</u>
<u>965,503</u>	<u>54,002</u>
(480,979)	82,319
900,000	900,000
1,339	1,339
<u>300,000</u>	<u>(273,205)</u>
720,360	710,453
<u>(579,806)</u>	<u>-</u>
<u>\$ 140,554</u>	<u>\$ 710,453</u>

See independent auditor's report and notes to required supplementary information.

**Wall School District No. 51-5
Budgetary Comparison Schedule -
Special Education Fund - Budgetary Basis
For the Year Ended June 30, 2016**

	<u>Budgeted Original</u>	<u>Budgeted Amounts Final</u>
REVENUE		
Revenue From Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 301,400	\$ 301,400
Penalties and Interest on Taxes	500	500
Earnings on Deposits	1,000	1,000
Other Local Revenue	<u>16,000</u>	<u>16,000</u>
Total Revenue From Local Sources	<u>318,900</u>	<u>318,900</u>
Revenue From Intermediate Sources:		
County Sources	<u>100</u>	<u>100</u>
Revenue From Federal Sources:		
Restricted Grants-in-Aid	58,927	58,927
TOTAL REVENUE	<u>377,927</u>	<u>377,927</u>
EXPENDITURES		
Instructional Services:		
Special Programs	<u>129,704</u>	<u>129,704</u>
Support Services:		
Pupils	64,289	64,289
Business	200	200
Special Education	<u>1,450</u>	<u>1,450</u>
Total Support Services	<u>65,939</u>	<u>65,939</u>
TOTAL EXPENDITURES	<u>195,643</u>	<u>195,643</u>
EXCESS OF REVENUE OVER EXPENDITURES	182,284	182,284
FUND BALANCE - BEGINNING (AS RESTATED)	<u>357,513</u>	<u>357,513</u>
FUND BALANCE - ENDING	<u>\$ 539,797</u>	<u>\$ 539,797</u>

See independent auditor's report and notes to required supplementary information.

<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
\$ 331,508	\$ 30,108
947	447
651	(349)
<u>2,815</u>	<u>(13,185)</u>
<u>335,921</u>	<u>17,021</u>
<u>278</u>	<u>178</u>
56,420	(2,507)
<u>392,619</u>	<u>14,692</u>
<u>130,629</u>	<u>(925)</u>
67,479	(3,190)
-	200
<u>11,462</u>	<u>(10,012)</u>
<u>78,941</u>	<u>(13,002)</u>
<u>209,570</u>	<u>(13,927)</u>
183,049	765
<u>357,513</u>	<u>-</u>
<u>\$ 540,562</u>	<u>\$ 765</u>

See independent auditor's report and notes to required supplementary information.

Wall School District No. 51-5
Notes to Required Supplementary Information
June 30, 2016

NOTE 1 - BASIS OF PRESENTATION

The Budgetary Comparison Schedules have been prepared on the modified accrual basis of accounting. The Budgetary Comparison Schedules present capital outlay expenditures within each function while the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds present capital outlay expenditures as a separate function.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

The District follows 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 of each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except Trust and Agency Funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total District budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets when monies are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds. Generally accepted accounting principles prescribe that budgetary information be presented for the General Fund and major special revenue funds of the District.

See independent auditor's report and notes to required supplementary information.

Wall School District No. 51-5
Schedule of Funding Progress for Retiree Health Insurance Coverage
June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2010	\$ -	\$ 123,467	\$ 123,467	0.00%	\$ 1,327,621	9.3%
6/30/2013	\$ -	\$ 112,339	\$ 112,339	0.00%	\$ 1,419,912	7.9%

See independent auditor's report and notes to required supplementary information.

**Wall School District No. 51-5
Schedule of Net Pension Asset
For the Years Ended June 30, 2016 and 2015**

	2016*	2015*
District's Proportion of the Net Pension Asset	0.0811024%	0.0838254%
District's Proportionate Share of Net Pension Asset	\$ (343,979)	\$ (603,928)
District's Covered-employee Payroll	1,527,434	1,480,696
District's Proportionate Share of the Net Position Asset as a Percentage of its Covered-employee Payroll	22.52%	40.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	104.10%	107.29%

*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension asset which is June 30 of the previous fiscal year.

See independent auditor's report and notes to required supplementary information.

Wall School District No. 51-5
Schedule of Pension Contributions
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 91,779	\$ 89,096
Contributions in Relation to the Contractually-required Contribution	<u>91,779</u>	<u>89,096</u>
Contribution Excess	<u>\$ -</u>	<u>\$ -</u>
District's Covered-employee Payroll	<u>\$ 1,527,434</u>	<u>\$ 1,480,696</u>
Contributions as a Percentage of Covered-employee Payroll	6.0%	6.0%

See independent auditor's report and notes to required supplementary information.

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SUPPLEMENTARY INFORMATION

**Wall School District No. 51-5
School District Officials
For the Year Ended June 30, 2016**

BOARD MEMBERS

Chairperson - Scot Eisenbraun
Vice Chairperson - Spencer Cordes
Carolynn Anderson
Jill Leonard
Ryan Kjerstad
Elaine Simons
Kevin Bielmaier

SUPERINTENDENT

Cooper Garnos

BUSINESS MANAGER

Niki Mohr

See independent auditor's report.

Wall School District No. 51-5
Statement of Net Position - Proprietary Funds Excluding Pension Activity
June 30, 2016

	Enterprise Funds		Totals
	Food Service Fund	After School Fund	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 21,213	\$ 60,328	\$ 81,541
Accounts Receivable, Net	913	-	913
Due From Other Governments	4,308	-	4,308
Inventories	3,061	-	3,061
Total Current Assets	<u>29,495</u>	<u>60,328</u>	<u>89,823</u>
Noncurrent Assets:			
Machinery and Equipment - Local Funds	24,637	-	24,637
Less: Accumulated Depreciation	<u>(18,605)</u>	<u>-</u>	<u>(18,605)</u>
Total Noncurrent Assets	<u>6,032</u>	<u>-</u>	<u>6,032</u>
Total Assets	<u>35,527</u>	<u>60,328</u>	<u>95,855</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	10	814	824
Contracts Payable	3,471	2,910	6,381
Payroll Deductions and Employer Matching Payable	530	1,234	1,764
Unearned Revenue	<u>2,226</u>	<u>1,710</u>	<u>3,936</u>
Total Current Liabilities	<u>6,237</u>	<u>6,668</u>	<u>12,905</u>
Long-term Liabilities:			
OPEB Liability	<u>2,215</u>	<u>-</u>	<u>2,215</u>
Total Liabilities	<u>8,452</u>	<u>6,668</u>	<u>15,120</u>
NET POSITION			
Net Investment in Capital Assets	6,032	-	6,032
Unrestricted	<u>21,043</u>	<u>53,660</u>	<u>74,703</u>
TOTAL NET POSITION	<u>\$ 27,075</u>	<u>\$ 53,660</u>	<u>\$ 80,735</u>

See independent auditor's report.

Wall School District No. 51-5
Statement of Revenues, Expenses and Changes in Fund Balances -
Proprietary Funds Excluding Pension Activity
For the Year Ended June 30, 2016

	Enterprise Funds		Totals
	Food Service Fund	After School Fund	
OPERATING REVENUE			
Sales to Pupils	\$ 80,866	\$ -	\$ 80,866
Sales to Adults	3,434	-	3,434
Other Operating Revenue	-	33,966	33,966
Total Operating Revenue	<u>84,300</u>	<u>33,966</u>	<u>118,266</u>
OPERATING EXPENSES			
Salaries	42,839	22,669	65,508
Employee Benefits	10,067	3,667	13,734
Purchased Services	3,082	3,528	6,610
Supplies	984	6,800	7,784
Cost of Sales - Purchased Food	55,435	-	55,435
Cost of Sales - Donated Food	9,024	-	9,024
Depreciation	1,394	-	1,394
Total Operating Expenses	<u>122,825</u>	<u>36,664</u>	<u>159,489</u>
OPERATING INCOME (LOSS)	<u>(38,525)</u>	<u>(2,698)</u>	<u>(41,223)</u>
NONOPERATING REVENUE			
Local Sources:			
Interest Earned	25	84	109
Other	2,417	-	2,417
State Sources:			
Cash Reimbursements	760	-	760
Federal Sources:			
Cash Reimbursements	41,247	-	41,247
Donated Food	9,024	-	9,024
Total Nonoperating Revenue	<u>53,473</u>	<u>84</u>	<u>53,557</u>
CHANGE IN NET POSITION	14,948	(2,614)	12,334
NET POSITION - BEGINNING, AS RESTATED	<u>12,127</u>	<u>56,274</u>	<u>68,401</u>
NET POSITION - ENDING	<u>\$ 27,075</u>	<u>\$ 53,660</u>	<u>\$ 80,735</u>

See independent auditor's report.