



Financial Statements  
June 30, 2015

# Waubay School District 18-3

Independent Auditor’s Report .....1

Financial Statements

    Statement of Net Position .....4

    Statement of Activities .....5

    Balance Sheet – Governmental Funds.....6

    Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position .....7

    Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....8

    Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities.....10

    Statement of Net Position – Proprietary Funds .....11

    Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds .....12

    Statement of Cash Flows – Proprietary Funds .....13

    Statement of Fiduciary Net Position – Fiduciary Funds.....14

    Notes to Financial Statements .....15

Required Supplementary Information

    Budgetary Comparison Schedule – Budgetary Basis – General Fund .....35

    Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund.....37

    Budgetary Comparison Schedule – Budgetary Basis – Special Education Fund .....38

    Notes to Required Supplementary Information – Budgetary Comparison Schedules.....39

    Schedule of Net Pension Liability (Asset) .....40

    Schedule of Pension Contributions .....41

    Notes to Required Supplementary Information – Pension Schedules .....42

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* .....43

Independent Auditor’s Report on Compliance for Its Major Federal Program and Report on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....45

Supplementary Information

    Schedule of Expenditures of Federal Awards .....47

    Schedule of Audit Findings and Questioned Costs .....49

    Summary Schedule of Prior Audit Findings.....52



CPAs & BUSINESS ADVISORS

## Independent Auditor's Report

The School Board  
Waubay School District 18-3  
Waubay, 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 the Waubay School District 18-3 (the School District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2015, 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.

### **Adoption of New Accounting Standard**

As discussed in Notes 1 and 11 to the financial statements, the School District has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of July 1, 2014. Our opinions are not modified with respect to this matter.

### **Restatement and Reissuance**

As discussed in Note 12, subsequent to the issuance of Waubay School District 2015 financial statements and our report dated December 29, 2015, we became aware that those financial statements understated due from state government and deferred inflows of resources in the general fund and accounts receivable and grant revenue in the governmental activities. Adjustments have been made to the financial statements to correct these errors. In our original report, we expressed an unmodified opinion on the 2015 financial statements, and our opinion on the reissued statements, as expressed herein, remains unmodified.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules, schedule of net pension liability (asset), and schedule of pension contributions on pages 35-42 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 managements responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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.

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the School District's internal control over financial reporting and compliance.

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

Aberdeen, South Dakota  
December 29, 2015, except for Note 12, for which the date is March 21, 2016

Waubay School District 18-3  
Statement of Net Position  
June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,245,747	\$ 10,519	\$ 1,256,266
Taxes receivable	529,665	-	529,665
Accounts receivable	119,356	4,906	124,262
Inventories	-	5,618	5,618
Net pension asset	500,519	16,978	517,497
Capital assets:			
Land	16,376	-	16,376
Other capital assets, net of depreciation	1,180,039	9,572	1,189,611
<b>Total Assets</b>	<b>3,591,702</b>	<b>47,593</b>	<b>3,639,295</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	438,686	12,519	451,205
	<u>\$ 4,030,388</u>	<u>\$ 60,112</u>	<u>\$ 4,090,500</u>
<b>Liabilities</b>			
Accounts payable	\$ 59,597	\$ -	\$ 59,597
Other current liabilities	179,450	975	180,425
	<u>239,047</u>	<u>975</u>	<u>240,022</u>
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows	582,126	17,223	599,349
Taxes levied for future period	566,034	-	566,034
	<u>1,148,160</u>	<u>17,223</u>	<u>1,165,383</u>
<b>Net Position</b>			
Net investment in capital assets	1,196,415	9,572	1,205,987
Restricted for:			
Capital Outlay	573,263	-	573,263
Special Education	35,617	-	35,617
SDRS Benefits	357,079	12,274	369,353
Unrestricted	480,807	20,068	500,875
<b>Total net position</b>	<b>2,643,181</b>	<b>41,914</b>	<b>2,685,095</b>
	<u>\$ 4,030,388</u>	<u>\$ 60,112</u>	<u>\$ 4,090,500</u>

Waubay School District 18-3  
Statement of Activities  
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
<b>Primary Government</b>						
Governmental activities:						
Instruction	\$ 1,122,527	\$ 12,584	\$ 230,342	\$ (879,601)	\$ -	\$ (879,601)
Support services	863,509	-	-	(863,509)	-	(863,509)
Cocurricular activities	64,860	21,224	-	(43,636)	-	(43,636)
Total governmental activities	<u>2,050,896</u>	<u>33,808</u>	<u>230,342</u>	<u>(1,786,746)</u>	<u>-</u>	<u>(1,786,746)</u>
Business-Type Activities:						
Food service	133,574	40,478	73,479	-	(19,617)	(19,617)
Total primary government	<u>\$ 2,184,470</u>	<u>\$ 74,286</u>	<u>\$ 303,821</u>	<u>(1,786,746)</u>	<u>(19,617)</u>	<u>(1,806,363)</u>
<b>General Revenues</b>						
Taxes:						
Property taxes				971,284	-	971,284
Other taxes				45,724	-	45,724
Revenue from state sources:						
State aid				542,268	-	542,268
Revenue from federal sources				500,610	-	500,610
Unrestricted investment earnings				181	-	181
Other general revenues				51,956	-	51,956
Transfers				(24,720)	24,720	-
Total general revenues and transfers				<u>2,087,303</u>	<u>24,720</u>	<u>2,112,023</u>
Change in Net Position				<u>300,557</u>	<u>5,103</u>	<u>305,660</u>
Net Position - Beginning				2,073,857	27,695	2,101,552
Change in Reporting, GASB 68				<u>268,767</u>	<u>9,116</u>	<u>277,883</u>
Net Position - Beginning, as Restated				<u>2,342,624</u>	<u>36,811</u>	<u>2,379,435</u>
Net Position - Ending				<u>\$ 2,643,181</u>	<u>\$ 41,914</u>	<u>\$ 2,685,095</u>

Waubay School District 18-3  
Balance Sheet – Governmental Funds  
June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 565,897	\$ 622,739	\$ 57,111	\$ 1,245,747
110 Taxes receivable - current	321,184	112,495	83,190	516,869
112 Taxes receivable - delinquent	7,751	3,082	1,963	12,796
120 Accounts receivable	-	18,975	-	18,975
140 Due from state government	100,381	-	-	100,381
	<u>\$ 995,213</u>	<u>\$ 757,291</u>	<u>\$ 142,264</u>	<u>\$ 1,894,768</u>
<b>Liabilities, Deferred Inflows and Fund Balances</b>				
<b>Liabilities</b>				
402 Accounts payable	\$ 14,406	\$ 45,094	\$ 97	\$ 59,597
404 Contracts payable	121,132	-	13,072	134,204
450 Payroll deductions, withholdings and employer matching payable	40,469	-	4,777	45,246
Total liabilities	<u>176,007</u>	<u>45,094</u>	<u>17,946</u>	<u>239,047</u>
<b>Deferred Inflows of Resources</b>				
Taxes levied for future period	357,374	119,959	88,701	566,034
Unavailable revenue - grants	38,023	18,975	-	56,998
Unavailable revenue - delinquent property taxes	7,751	3,082	1,963	12,796
Total deferred inflows of resources	<u>403,148</u>	<u>142,016</u>	<u>90,664</u>	<u>635,828</u>
<b>Fund Balances</b>				
<b>Restricted:</b>				
Capital Outlay	-	570,181	-	570,181
Special Education	-	-	33,654	33,654
Unassigned	416,058	-	-	416,058
Total fund balances	<u>416,058</u>	<u>570,181</u>	<u>33,654</u>	<u>1,019,893</u>
	<u>\$ 995,213</u>	<u>\$ 757,291</u>	<u>\$ 142,264</u>	<u>\$ 1,894,768</u>

Waubay School District 18-3  
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position  
Year Ended June 30, 2015

---

Total Fund Balances - Governmental Funds	\$ 1,019,893
Amounts Reported for Governmental Activities in the Statement of Net Position Are Different Because:	
Capital assets used in governmental activities are not financial resources and; therefore, are not reported in the funds.	1,196,415
Assets such as taxes receivable (delinquent) and grant receivables are not available to pay for current period expenditures and; therefore, are deferred in the funds.	69,794
Net pension asset, pension related deferred inflows of resources, and pension related deferred outflows of resources do not represent available financial resources and; therefore, are not reported in the funds.	<u>357,079</u>
Net Position - Governmental Funds	<u><u>\$ 2,643,181</u></u>

Waubay School District 18-3  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
<b>Revenues</b>				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 548,275	\$ 241,960	\$ 164,512	\$ 954,747
1120 Prior year's ad valorem taxes	3,116	1,645	972	5,733
1140 Gross receipts taxes	45,724	-	-	45,724
1190 Penalties and interest on taxes	5,662	796	487	6,945
1500 Earnings on investments and deposits	159	22	-	181
1700 Cocurricular activities:				
1710 Admissions	11,124	-	-	11,124
1790 Other pupil activity income	10,100	-	-	10,100
1900 Other revenue from local sources:				
1910 Rentals	564	-	-	564
1920 Contributions	940	5,000	-	5,940
1970 Medicaid	8,062	-	4,522	12,584
1990 Other	7,255	-	-	7,255
2000 Revenue from intermediate sources				
2100 County sources:				
2110 County apportionment	16,188	-	-	16,188
2200 Revenue in lieu of taxes	867	-	-	867
3000 Revenue from state sources				
3100 Grants-in-aid:				
3110 Unrestricted grants-in-aid	542,268	-	-	542,268
3120 Restricted grants-in-aid	1,870	-	27,435	29,305
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4110 Unrestricted grants-in-aid received directly from federal government	481,695	-	18,076	499,771
4130 Unrestricted grants-in-aid received from federal government through an intermediate source	286	341	212	839
4140 Restricted grants-in-aid received directly from federal government	14,100	-	-	14,100
4150-4199 Restricted grants-in-aid received from Federal government through the State	125,377	4,562	-	129,939
<b>Total revenues</b>	<b>1,823,632</b>	<b>254,326</b>	<b>216,216</b>	<b>2,294,174</b>
<b>Expenditures</b>				
1000 Instruction				
1100 Regular programs:				
1110 Elementary	389,759	27,600	-	417,359
1120 Middle/junior high	99,926	-	-	99,926
1130 High school	269,212	53,398	-	322,610
1190 Other regular programs	15,385	-	-	15,385
1200 Special programs:				
1220 Programs for special education	-	-	142,927	142,927
1270 Educationally deprived	119,922	-	-	119,922

Waubay School District 18-3  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
2000 Support services				
2100 Pupils:				
2120 Guidance	40,109	-	817	40,926
2130 Health	14,667	-	-	14,667
2140 Psychological	-	-	13,099	13,099
2150 Speech pathology	-	-	25,797	25,797
2170 Student therapy services	-	-	19,866	19,866
2200 Support services - instructional staff:				
2210 Improvement of instruction	34,890	-	-	34,890
2220 Educational media	80,653	1,431	-	82,084
2300 Support services - general administration:				
2310 Board of education	34,325	-	-	34,325
2320 Executive administration	50,307	-	-	50,307
2400 Support services - school administration:				
2410 Office of the principal	73,183	-	-	73,183
2490 Other support services	190	-	-	190
2500 Support services - business:				
2520 Fiscal services	137,229	449	-	137,678
2540 Operation and maintenance of plant	135,007	59,800	-	194,807
2550 Pupil transportation	85,298	44,538	-	129,836
5000 Debt services	-	3,425	-	3,425
6000 Cocurricular activities				
6100 Male activities	16,104	-	-	16,104
6200 Female activities	17,847	-	-	17,847
6500 Transportation	5,080	-	-	5,080
6900 Combined activities	25,480	-	-	25,480
Total expenditures	<u>1,644,573</u>	<u>190,641</u>	<u>202,506</u>	<u>2,037,720</u>
Excess of Revenue over (under) Expenditures	<u>179,059</u>	<u>63,685</u>	<u>13,710</u>	<u>256,454</u>
Other Financing Sources (Uses)				
8110 Transfers out	<u>(24,720)</u>	<u>-</u>	<u>-</u>	<u>(24,720)</u>
Total other financing sources (uses)	<u>(24,720)</u>	<u>-</u>	<u>-</u>	<u>(24,720)</u>
Net Change in Fund Balances	154,339	63,685	13,710	231,734
Fund Balance - Beginning	<u>261,719</u>	<u>506,496</u>	<u>19,944</u>	<u>788,159</u>
Fund Balance - Ending	<u>\$ 416,058</u>	<u>\$ 570,181</u>	<u>\$ 33,654</u>	<u>\$ 1,019,893</u>

Waubay School District 18-3

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities  
Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ 231,734
Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and amortization (\$82,015) exceeds the capital outlays (\$0) for the current period.	(82,015)
In both the government-wide and fund financial statements, revenues from tax levies and grants are applied to finance the budget of a particular period. Accounting for revenues from tax accruals and grant accruals in the funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".	60,857
Repayment of bond and other long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,669
Revenues and reductions of expenses related to pensions do not provide current financial resources and; therefore, are not reported in the funds.	88,312
Change in Net Position of Governmental Activities	<u>\$ 300,557</u>

Waubay School District 18-3  
Statement of Net Position – Proprietary Funds  
June 30, 2015

	Enterprise		
	Food Service Fund	Driver's Ed Fund	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 9,544	\$ 975	\$ 10,519
120 Accounts receivable	4,906	-	4,906
171 Inventory of stores purchased for resale	3,103	-	3,103
172 Inventory of donated food	2,515	-	2,515
Total current assets	<u>20,068</u>	<u>975</u>	<u>21,043</u>
<b>Noncurrent Assets</b>			
Net Pension asset	16,978		16,978
200 Capital assets			
204 Machinery and equipment - local funds	83,644	-	83,644
Less accumulated depreciation - machinery and equipment - local funds	(74,072)	-	(74,072)
Total noncurrent assets	<u>26,550</u>	<u>-</u>	<u>26,550</u>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	12,519		12,519
	<u>\$ 59,137</u>	<u>\$ 975</u>	<u>\$ 60,112</u>
<b>Liabilities</b>			
400 Current liabilities			
477 Unearned revenue	\$ -	\$ 975	\$ 975
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows	17,223	-	17,223
<b>Net Position</b>			
706 Net investment in capital assets	9,572	-	9,572
Resticted for SDRS Benefits	12,274	-	12,274
708 Unrestricted net position	20,068	-	20,068
Total net position	<u>41,914</u>	<u>-</u>	<u>41,914</u>
	<u>\$ 59,137</u>	<u>\$ 975</u>	<u>\$ 60,112</u>

Waubay School District 18-3  
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds  
Year Ended June 30, 2015

	Enterprise		
	Food Service Fund	Driver's ED Fund	Total
Operating Revenues			
Sales			
1610 To pupils	\$ 31,265	\$ -	\$ 31,265
1620 To adults	6,097	-	6,097
1660 Other	3,116	-	3,116
	<u>40,478</u>	<u>-</u>	<u>40,478</u>
Pension revenue	717	-	717
Total operating revenues	<u>41,195</u>	<u>-</u>	<u>41,195</u>
Operating Expenses			
100 Salaries	44,849	-	44,849
200 Employee benefits	3,431	-	3,431
300 Purchased services	378	-	378
400 Supplies	2,866	-	2,866
461 Cost of sales - purchased food	76,002	-	76,002
462 Cost of sales - donated food	4,610	-	4,610
900 Depreciation - local funds	2,155	-	2,155
Total operating expenses	<u>134,291</u>	<u>-</u>	<u>134,291</u>
Operating Loss	<u>(93,096)</u>	<u>-</u>	<u>(93,096)</u>
Nonoperating Revenues			
Federal sources			
4810 Cash reimbursements	68,501	-	68,501
4820 Donated food	4,978	-	4,978
Total nonoperating revenues	<u>73,479</u>	<u>-</u>	<u>73,479</u>
Loss Before Transfers	(19,617)	-	(19,617)
5110 Transfers in	<u>24,720</u>	<u>-</u>	<u>24,720</u>
Change in Net Position	<u>5,103</u>	<u>-</u>	<u>5,103</u>
Net Position - Beginning, as Previously Stated	27,695	-	27,695
Change in Reporting, GASB 68	<u>9,116</u>	<u>-</u>	<u>9,116</u>
Net Position - Beginning, as Restated	<u>36,811</u>	<u>-</u>	<u>36,811</u>
Net Position - Ending	<u>\$ 41,914</u>	<u>\$ -</u>	<u>\$ 41,914</u>

Waubay School District 18-3  
Statement of Cash Flows – Proprietary Funds  
Year Ended June 30, 2015

	Enterprise		
	Food Service Fund	Driver's Ed Fund	Total
Cash Flows from (used for) Operating Activities			
Receipts from customers	\$ 37,449	\$ 975	\$ 38,424
Payments to suppliers	(84,325)	-	(84,325)
Payments to employees	(48,280)	-	(48,280)
Net Cash used for Operating Activities	<u>(95,156)</u>	<u>975</u>	<u>(94,181)</u>
Cash Flows from Noncapital Financing Activities			
Operating subsidies	68,501	-	68,501
Transfers in	24,641	-	24,641
Net Cash from Noncapital Financing Activities	<u>93,142</u>	<u>-</u>	<u>93,142</u>
Net Change in Cash and Cash Equivalents	(2,014)	975	(1,039)
Cash and Cash Equivalents Beginning of Year	<u>11,558</u>	<u>-</u>	<u>11,558</u>
Cash and Cash Equivalents End of Year	<u>\$ 9,544</u>	<u>\$ 975</u>	<u>\$ 10,519</u>
Reconciliation of Operating Loss to Net Cash used for Operating Activities			
Operating loss	\$ (93,096)	\$ -	\$ (93,096)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation expense	2,155	-	2,155
Value of donated commodities used	4,610	-	4,610
Change in assets and liabilities:			
Inventories	(327)	-	(327)
Pension deferred inflows, outflows and asset	(3,158)	-	(3,158)
Accounts receivable	(3,029)	-	(3,029)
Accounts payable	(2,311)	-	(2,311)
Unearned revenue	-	975	975
Net Cash used for Operating Activities	<u>\$ (95,156)</u>	<u>\$ 975</u>	<u>\$ (94,181)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	\$ 4,978	\$ -	\$ 4,978

Waubay School District 18-3  
Statement of Fiduciary Net Position – Fiduciary Funds  
June 30, 2015

---

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 27,337</u>
	<u>\$ 27,337</u>
Liabilities	
Amounts held for others	<u>\$ 27,337</u>
	<u>\$ 27,337</u>

## **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Waubay School District 18-3 conform to generally accepted accounting principles applicable to government entities in the United States of America.

### **Financial Reporting Entity**

The reporting entity of Waubay School District 18-3 (the School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the 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 School District's financial statements to be misleading or incomplete.

The School District participates in a cooperative service unit with several other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the School District as a component unit, but are discussed in these notes because of the nature of their relationship with the School District.

### **Basis of Presentation**

The financial statements of the School District have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard setting body for governmental accounting and financial reporting.

### **Government-Wide Financial Statements**

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

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

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

## **Fund Financial Statements**

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principle activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary services.

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

### **Governmental Funds**

**General Fund** - A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding capital outlay fund and special education fund expenditures. The impact aid funding is also accounted for in the General Fund. The General Fund is always a major fund.

**Special Revenue Fund Types** - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Capital Outlay and Special Education Funds are the special revenue funds maintained by the School District.

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

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

### **Proprietary Funds**

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

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

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

### **Fiduciary Funds**

Fiduciary Funds are never considered to be major funds.

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

### **Measurement Focus and Basis of Accounting**

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

### **Measurement Focus**

#### **Government-Wide Financial Statements**

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

#### **Fund Financial Statements**

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

## **Basis of Accounting**

### **Government-Wide Financial Statements**

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

### **Fund Financial Statements**

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the School District, the length of that cycle is 60 days.

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

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

### **Interfund Eliminations and Reclassifications**

#### **Government-Wide Financial Statements**

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as internal balances.

#### **Fund Financial Statements**

Noncurrent portions of long-term interfund receivables are reported as nonspendable fund balance to the extent that the proceeds from the collection of those receivables are not restricted, committed, or assigned. Current portions of interfund receivables are considered "available spendable resources" and are reported in the appropriate fund balance category.

**Inventory**

Inventory is stated at the lower of cost or market. The cost valuation method is first-in, first-out (FIFO). Donated commodities are valued at estimated market value based on the USDA price list at date of receipt. In the government-wide financial statements and the proprietary funds in the fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the governmental fund financial statements, inventories in the general fund and special revenue funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a non-spendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The School District did not have any material amounts of inventory in the general fund or special revenue funds.

**Capital Assets**

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

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

**Government-Wide 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 general capital assets are not capitalized along with other capital asset costs.

The total June 30, 2015 balance of capital assets for governmental activities and business-type activities are all valued at original cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide statement of activities, with net capital assets reflected in the statement of net position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
*Land	\$ 1,000	N/A	N/A
Buildings	25,000	Straight-Line	15-50 years
Machinery and equipment	5,000	Straight-Line	3-10 years
Food service equipment	300	Straight-Line	12 years

*\*Land is an inexhaustible capital asset and is not depreciated.*

### **Fund Financial Statements**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

### **Long-Term Liabilities**

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of leases payable.

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

### **Program Revenues**

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

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

### **Property Taxes**

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

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

### **Proprietary Funds Revenue and Expense Classifications**

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

### **Cash and Cash Equivalents**

The School District pools its cash resources for deposit purposes. Accordingly, the enterprise fund has access to its cash resources on demand. Accordingly, all reported enterprise fund deposit balances are considered to be cash equivalents for the purpose of the statement of cash flows.

### **Equity Classifications**

#### **Government-Wide Statements**

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

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

#### **Fund Financial Statements**

Governmental fund equity is classified as fund balance, and may distinguish between nonspendable, restricted, committed, assigned and unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

#### **Application of Net Position**

It is the School District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**Fund Balance Classification Policies and Procedures**

In accordance with GASB No. 54, the School District classifies governmental fund balances as follows:

- Nonspendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, the School Board, and does not lapse at year-end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the School Board or Business Manager.
- Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

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

The purpose of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay	Property taxes
Special Education	Property taxes, grants and State aid

**Pensions**

For purposes of measuring the net pension liability (asset), deferred outflows/inflows of resources, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS’s fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **Implementation of GASB Statement No. 68 and GASB Statement No. 71**

As of July 1, 2014, the School District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability (asset), deferred outflows of resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 11.

### **Deferred Inflows and Outflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability (asset) not included in pension expense (revenue) reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has two types of items that qualify for reporting in this category. The School District reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item relates to changes in the net pension liability (asset) not included in pension expense (revenue) report in the government-wide statement of net position.

### **Rounding**

Computer generated rounding variances exist in the basic financial statements and supplementary information. The variances result from values being entered with cents rather than as whole numbers.

### **Note 2 - Deposits and Investments Credit Risk, Concentrations of Credit Risk and Interest Rate Risk**

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

**Deposits**

The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100% of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota. As of June 30, 2015, the financial institution that holds the School District's deposits was properly collateralized.

Deposits are reported at cost plus interest, if the account is of the add-on type.

Custodial Credit Risk Deposits: The risk that, in the event of a bank failure, the School District's deposits may not be returned. The School District does not have a deposit policy for the custodial credit risk.

The actual bank balances as of June 30, 2015 were as follows:

	Bank Balance
Insured (FDIC/NCUA)	\$ 250,000
Uninsured, collateral jointly held by State's/School District's agent in the name of the State and the pledging financial institution	715,227
	\$ 965,227
The School District's carrying amount of deposits at June 30, 2015 was:	\$ 946,684

Reconciliation of deposits to government-wide statement of net assets:

Cash and cash equivalents	\$ 1,256,266
Add: Agency Fund cash (not included in government-wide statement of net assets)	27,337
Less: Money market investment account included in cash and cash equivalents	(336,919)
	\$ 946,684

**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 that 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.

Investments held as of June 30, 2015 are as follows:

	Credit Rating	Maturity	Fair Value
External investment pools:			
SDFIT	Unrated	N/A	\$ 336,919

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine member board with representation from municipalities, school districts, and counties.

The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis. Since the School District has ready access to the cash, it is reported as cash and cash equivalents.

**Custodial Credit Risk Investments:** The risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have an investment policy for custodial risk.

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

**Credit Risk:** State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices. As of June 30, 2015, the School District's investment in the SDFIT pool was unrated.

**Concentration of Credit Risk:** The School District places no limit on the amount that the School District may invest in any one issuer. One hundred percent of the School District's investments are in the SDFIT pool.

State law allows income from deposits and investments to be credited to either the general fund or the fund making the investment. The School District's policy is to credit all interest earned to the fund making the investment.

### **Note 3 - Receivables and Payables**

Receivables and payables are not aggregated in these financial statements. The revenues which are accrued at June 30, 2015 are \$35,609 of grant revenue and \$27,363 of utility tax revenues to be received from the State of South Dakota and utility tax revenue of \$18,361 to be received from counties. The School District expects all receivables to be collected within one year. Based on the nature of the receivables, no allowances for estimated uncollectible have been established.

**Note 4 - Changes in Capital Assets**

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

Primary Government Governmental Activities	Balance 07/01/14	Increases	Decreases	Balance 06/30/15
Capital assets, not being depreciated:				
Land	\$ 16,376	\$ -	\$ -	\$ 16,376
Total capital assets not being depreciated	<u>16,376</u>	<u>-</u>	<u>-</u>	<u>16,376</u>
Capital assets being depreciated:				
Building and improvements	2,652,552	-	-	2,652,552
Machinery and equipment	744,963	-	13,186	731,777
Total capital assets being depreciated	<u>3,397,515</u>	<u>-</u>	<u>13,186</u>	<u>3,384,329</u>
Less accumulated depreciation for:				
Buildings	1,507,215	53,051	-	1,560,266
Machinery and equipment	628,246	28,964	13,186	644,024
Total accumulated depreciation	<u>2,135,461</u>	<u>82,015</u>	<u>13,186</u>	<u>2,204,290</u>
Total capital assets being depreciated, net	<u>1,262,054</u>	<u>(82,015)</u>	<u>-</u>	<u>1,180,039</u>
Governmental activity capital assets, net	<u>\$ 1,278,430</u>	<u>\$ (82,015)</u>	<u>\$ -</u>	<u>\$ 1,196,415</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 44,895
Support services	34,998
Co-curricular	<u>2,122</u>
Total depreciation expense - governmental activities	<u>\$ 82,015</u>

Waubay School District 18-3  
Notes to Financial Statements  
June 30, 2015

Business-Type Activities	Balance 07/01/14	Increases	Decreases	Balance 06/30/15
Capital assets being depreciated:				
Machinery and equipment	\$ 83,644	\$ -	\$ -	\$ 83,644
Total capital assets being depreciated	83,644	-	-	83,644
Less accumulated depreciation for:				
Machinery and equipment	71,917	2,155	-	74,072
Total accumulated depreciation	71,917	2,155	-	74,072
Total capital assets being depreciated, net	11,727	(2,155)	-	9,572
Business-type activities capital assets, net	<u>\$ 11,727</u>	<u>\$ (2,155)</u>	<u>\$ -</u>	<u>\$ 9,572</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food services	\$ 2,155
Total depreciation expense - business-type activities	<u>\$ 2,155</u>

**Note 5 - Long-Term Liabilities**

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

	7/1/2014	Increase	Decrease	6/30/2015	Due In One Year
Governmental Activities					
Financing (capital acquisition) leases	\$ 1,669	\$ -	\$ (1,669)	\$ -	\$ -
	<u>\$ 1,669</u>	<u>\$ -</u>	<u>\$ (1,669)</u>	<u>\$ -</u>	<u>\$ -</u>

The purchase price at the commencement of the financing (capital acquisition) lease was:

Principal	\$ 13,186
Interest	1,012
Total	<u>\$ 14,198</u>

**Note 6 - Restricted Net Position**

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

Fund	Restricted By	Amount
Special Education	Law	\$ 35,617
Capital Outlay	Law	573,263
SDRS Benefits	Pension Plan	369,353
Total restricted net position		\$ 978,233

**Note 7 - Joint Ventures**

Northeast Educational Services Cooperative No. 28-201 PO Box 327 Hayti, South Dakota 57241; 605-783-3607

The School District participates in Northeast Educational Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education and other services to member schools. The School District's percentage of participation in the co-op is 2.33% based on student counts.

The co-op's governing board has one representative from the school board of each member school. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget.

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

Separate financial statements of the co-op are available at its business office in Hayti, South Dakota.

As of June 30, 2015, this joint venture had total unaudited fund equity of approximately \$1,159,937.

**Note 8 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2015, the School District managed its risks as follows.

**Employee Health Insurance**

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local governmental entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage provides for a \$1,000 deductible per person up to \$2,000 per family, 80/20% coinsurance with up to 80% of \$2,500 to \$10,000 and a lifetime maximum of \$2,000,000 per person.

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

At June 30, 2015, the South Dakota School District Health Benefits Fund had a deficit net position. The Fund is changing its third party administrator to gain network efficiencies and increasing premiums to recover this deficit. They currently do not plan to assess participants. The School District would have a liability for their share of the deficit, should they decide to leave the plan.

### **Liability Insurance**

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

### **Worker's Compensation**

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provided 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 School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the fund to resolve any worker's compensation claims. The School 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 School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual per incident.

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

### **Unemployment Benefits**

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

During the year ended June 30, 2015, approximately \$3,564 for claims for unemployment benefits were paid. At June 30, 2015, it was anticipated that the School District will have no claims for the next fiscal year.

**Note 9 - Interfund Transactions**

Interfund transfers at June 30, 2015 are comprised of the following:

	Business-Type Activities
Transfers from:	
Major Funds:	
General Fund	\$ 24,720

The School District transferred money from the General Fund to the Food Service Fund to supplement the funds.

**Note 10 - Pension Plan**

**Plan Information**

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> or by writing to the SDRS, P.O. 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% prior to 2008 and 1.55% 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% for service prior to 2008 and 2.0% thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733% for service prior to 2008 and 3.333% thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

The annual increase in the amount of the SDRS benefits payable on each July 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% for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District’s share of contributions to the SDRS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$69,611, \$75,365 and \$77,921, respectively, equal to the required contributions each year.

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

At June 30, 2014, SDRS is 107% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of SDRS, for the School District as of June 30, 2015 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 7,619,279
Less proportionate share of total pension liability	<u>7,101,782</u>
 Proportionate share of net pension asset	 <u><u>\$ 517,497</u></u>

The net pension asset was measured as of June 30, 2014 and the total pension liability used to calculate the net pension asset was determined by actuarial valuation as of that date. At June 30, 2015, the School District reported an asset of \$517,497 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 School District’s share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2014, the School District’s proportion was 0.0718288%.

For the year ended June 30, 2015, the School District recognized pension revenue of \$21,859. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 43,787	\$ -
Changes in assumption	337,807	-
Net difference between projected and actual earnings on pension plan investments	-	(599,349)
Changes in proportion and difference between School District contributions and proportionate share of contributions	-	-
School District contributions subsequent to the measurement date	69,611	-
Total	\$ 451,205	\$ (599,349)

There is \$69,911 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction/increase of the net pension liability (asset) in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension revenue as follows:

Year Ended June 30:	Amount
2016	\$ (41,121)
2017	(41,121)
2018	(41,121)
2019	(94,392)
	\$ (217,755)

### Actuarial Assumptions

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

Inflation	3.25%
Salary increases	5.83% at entry to 3.87% after 30 years of service
Investment rate of return	7.25% through 2016 and 7.50% thereafter, net of pension plan investment expense

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

Investment portfolio management is the expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-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 term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	61.0%	4.7%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.5%
Cash	2.0%	0.8%
	<u>100.0%</u>	

**Discount Rate**

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

**Sensitivity of Asset to Changes in the Discount Rate**

The following presents the School District's proportionate share of net pension asset (liability) calculated using the discount rate of 7.25% through 2016 and 7.50% thereafter, as well as what the School District's proportionate share of the net pension asset would be if it were calculated using a discount rate that is one percentage point lower (6.25/6.50%) or one 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)	\$ (511,384)	\$ 517,497	\$ 1,356,657

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

**Pension Plan Fiduciary Net Position**

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

**Note 11 - Restatement of Beginning Net Position**

As of July 1, 2014, the School District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date as follows:

	Governmental Activities	Business-Type Activities Food Service	Total
Net position at June 30, 2014, as previously stated	\$ 2,073,857	\$ 27,695	\$ 2,101,552
Net Pension Asset at June 30, 2014	195,874	6,643	202,517
Deferred outflows of resources related to contributions made during the year ended June 30, 2014	72,893	2,473	75,366
Net position at July 1, 2014, as restated	\$ 2,342,624	\$ 36,811	\$ 2,379,435

**Note 12 - Restatement and Reissuance**

Susequent to the original issuance of the 2015 financial statements, the School District became aware of certain errors as described below and have reissued the 2015 financial statements to correct those errors.

In the General Fund, it was determined that a due from state government for Title I of \$38,023 year was not recorded at June 30, 2015. To correct this error, the General Fund due from state government and deferred inflows of resources, unavailable revenue – grants was increased by \$38,023 as of June 30, 2015. In addition, the Statement of Net Position for governmental activities was corrected to increase current assets by \$38,023 and increase the unrestricted net position by the same amount, resulting in a restated net position of \$2,643,181 as of June 30, 2015. The Statement of Activities for governmental activities was also corrected to increase operating grants and contributions by \$38,023 and change in net position by the same amount for the year ended June 30, 2015.



Required Supplementary Information  
June 30, 2015

# Waubay School District 18-3

Waubay School District 18-3  
 Budgetary Comparison Schedule – Budgetary Basis – General Fund  
 Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 492,845	\$ 492,845	\$ 548,275	\$ 55,430
1120 Prior year's ad valorem taxes	4,200	4,200	3,116	(1,084)
1140 Gross receipts taxes	55,000	55,000	45,724	(9,276)
1190 Penalties and interest on taxes	2,400	2,400	5,662	3,262
1500 Earnings on investments and deposits	2,300	2,300	159	(2,141)
1700 Cocurricular activities:				
1710 Admissions	11,500	11,500	11,124	(376)
1790 Other pupil activity income	8,500	8,500	10,100	1,600
1900 Other revenue from local sources:				
1910 Rentals	500	500	564	64
1920 Contributions	-	-	940	940
1970 Support services	16,000	16,000	8,062	(7,938)
1990 Other	7,000	7,000	7,255	255
2000 Revenue from intermediate sources				
2100 County sources:				
2110 County apportionment	17,000	17,000	16,188	(812)
2200 Revenue in lieu of taxes	-	-	867	867
3000 Revenue from State sources				
3100 Grants-in-aid:				
3110 Unrestricted grants-in-aid	590,500	590,500	542,268	(48,232)
3120 Restricted grants in aid	2,000	2,000	1,870	(130)
4000 Revenue from Federal sources				
4100 Grants-in-aid:				
4110 Unrestricted grants-in-aid received directly from Federal government	250,000	250,000	481,695	231,695
4130 Unrestricted grants-in-aid received from federal government through an intermediate source	500	500	286	(214)
4140 Restricted grants-in-aid received directly from Federal government	16,919	16,919	14,100	(2,819)
4150-4199 Restricted grants-in-aid received from Federal government through the State	163,400	163,400	125,377	(38,023)
Total revenues	<u>1,640,564</u>	<u>1,640,564</u>	<u>1,823,632</u>	<u>183,068</u>

Waubay School District 18-3  
 Budgetary Comparison Schedule – Budgetary Basis – General Fund  
 Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary	395,800	397,831	389,759	8,072
1120 Middle/junior high	110,640	110,640	99,926	10,714
1130 High school	286,500	287,196	269,212	17,984
1190 Other regular programs	16,919	16,919	15,385	1,534
1200 Special programs:				
1270 Educationally deprived	114,600	114,600	119,922	(5,322)
2000 Support services				
2100 Pupils:				
2120 Guidance	48,586	48,586	40,109	8,477
2130 Health	14,540	14,540	14,667	(127)
2200 Support services - instructional staff:				
2210 Improvement of instruction	48,800	48,800	34,890	13,910
2220 Educational media	80,335	81,543	80,653	890
2300 Support services - general administration:				
2310 Board of education	40,795	41,218	34,325	6,893
2320 Executive administration	51,260	51,903	50,307	1,596
2400 Support services - school administration:				
2410 Office of the principal	73,640	73,640	73,183	457
2490 Other support services	1,500	1,500	190	1,310
2500 Support services - business:				
2520 Fiscal services	156,715	158,538	137,229	21,309
2540 Operation and maintenance of plant	159,455	161,683	135,007	26,676
2550 Pupil transportation	94,395	94,395	85,298	9,097
6000 Cocurricular activities				
6100 Male activities	24,080	24,080	16,104	7,976
6200 Female activities	23,866	23,866	17,847	6,019
6500 Transportation	5,684	5,684	5,080	604
6900 Combined activities	29,891	30,707	25,480	5,227
7000 Contingencies	55,000	45,132	-	45,132
Total expenditures	<u>1,833,001</u>	<u>1,833,001</u>	<u>1,644,573</u>	<u>188,428</u>
Excess of Revenues over (under) Expenditures	<u>(192,437)</u>	<u>(192,437)</u>	<u>179,059</u>	<u>371,496</u>
Other Financing Sources (Uses)				
8110 Transfers out	<u>(25,560)</u>	<u>(25,560)</u>	<u>(24,720)</u>	<u>840</u>
Total other financing sources (uses)	<u>(25,560)</u>	<u>(25,560)</u>	<u>(24,720)</u>	<u>840</u>
Net Change in Fund Balance	(217,997)	(217,997)	154,339	372,336
Fund Balance - Beginning	<u>261,719</u>	<u>261,719</u>	<u>261,719</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 43,722</u>	<u>\$ 43,722</u>	<u>\$ 416,058</u>	<u>\$ 372,336</u>

Waubay School District 18-3  
 Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund  
 Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 198,000	\$ 198,000	\$ 241,960	\$ 43,960
1120 Prior year's ad valorem taxes	1,800	1,800	1,645	(155)
1190 Penalties and interest on taxes	1,000	1,000	796	(204)
1500 Earnings on investments and deposits	-	-	22	22
1900 Other revenue from local sources:				
1920 Contributions	-	-	5,000	5,000
4000 Revenue from Federal sources				
4100 Grants-in-aid:				
4130 Unrestricted grants-in-aid received from federal government through an intermediate source	300	300	341	41
4150-4199 Restricted grants-in-aid received from Federal government through the State	-	-	4,562	4,562
Total revenues	<u>201,100</u>	<u>201,100</u>	<u>254,326</u>	<u>53,226</u>
<b>Expenditures</b>				
1000 Instruction				
1100 Regular programs:				
1110 Elementary	24,425	24,425	27,600	(3,175)
1130 High school	46,600	46,600	53,398	(6,798)
2000 Revenue from intermediate sources				
2222 Educational media	2,000	2,000	1,431	569
2500 Support services - business:				
2520 Fiscal services	550	550	449	101
2540 Care and upkeep of building	46,000	46,000	59,800	(13,800)
2550 Transportation	76,525	76,525	44,538	31,987
5000 Debt services	5,000	5,000	3,425	1,575
Total expenditures	<u>201,100</u>	<u>201,100</u>	<u>190,641</u>	<u>10,459</u>
Net Change in Fund Balances	-	-	63,685	63,685
Fund Balance - Beginning	<u>506,496</u>	<u>506,496</u>	<u>506,496</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 506,496</u>	<u>\$ 506,496</u>	<u>\$ 570,181</u>	<u>\$ 63,685</u>

Waubay School District 18-3  
 Budgetary Comparison Schedule – Budgetary Basis – Special Education Fund  
 Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 132,070	\$ 132,070	\$ 164,512	\$ 32,442
1120 Prior year's ad valorem taxes	1,300	1,300	972	(328)
1190 Penalties and interest on taxes	550	550	487	(63)
1900 Other revenue from local sources:				
1970 Charges for services	4,500	4,500	4,522	22
3000 Revenue from State sources				
3100 Grants-in-aid:				
3120 Restricted grants-in-aid	37,000	37,000	27,435	(9,565)
4000 Revenue from Federal sources				
4100 Grants-in-aid:				
4110 Unrestricted grants-in-aid received directly from Federal government	12,000	12,000	18,076	6,076
4130 Unrestricted grants-in-aid received from federal government through an intermediate source	175	175	-	(175)
Total revenues	<u>187,595</u>	<u>187,595</u>	<u>216,004</u>	<u>28,409</u>
<b>Expenditures</b>				
1000 Instruction				
1200 Special programs:				
1220 Programs for special education	141,962	141,962	142,927	(965)
2000 Support services				
2100 Pupils:				
2120 Guidance	979	979	817	162
2140 Psychological	16,838	16,838	13,099	3,739
2150 Speech pathology	30,706	30,706	25,797	4,909
2170 Student therapy services	25,638	25,638	19,866	5,772
Total expenditures	<u>216,123</u>	<u>216,123</u>	<u>202,506</u>	<u>13,617</u>
Excess of Revenues over (under) Expenditures	<u>(28,528)</u>	<u>(28,528)</u>	<u>13,498</u>	<u>42,026</u>
<b>Other Financing Sources</b>				
5110 Transfer in	<u>28,528</u>	<u>28,528</u>	<u>-</u>	<u>(28,528)</u>
Total other financing sources	<u>28,528</u>	<u>28,528</u>	<u>-</u>	<u>(28,528)</u>
Net Change in Fund Balances	-	-	13,498	13,498
Fund Balance - Beginning	<u>19,944</u>	<u>19,944</u>	<u>19,944</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 19,944</u>	<u>\$ 19,944</u>	<u>\$ 33,442</u>	<u>\$ 13,498</u>

**Note 1 - Basis of Presentation**

The budgetary comparison schedules have been prepared on the modified accrual basis of accounting. The budgetary comparison schedule presents expenditures for capital outlay purposes within each function while the governmental funds statement of revenues, expenditures and changes in fund balance presents capital outlay expenditures as a separate function.

**Note 2 - Budgetary Legal Requirements**

The School District followed these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the first regular School Board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the School Board, the operating budget is legally binding at the fund level and actual expenditures of each fund cannot exceed the amounts budgeted for that fund, except as indicated in Number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% of the total School District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.

Waubay School District 18-3  
 Schedule of Net Pension Liability (Asset)  
 Year Ended June 30, 2015

<u>Pension Plan</u>	<u>Fiscal Year Ending</u>	<u>Employer's Percentage of the Net Pension Asset</u>	<u>Employer's Proportionate Share of the Net Pension Asset (a)</u>	<u>Employer's Covered- Employee Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Asset as a Percentage of its Covered- Employee Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Asset</u>
SDRS	6/30/2014	<u>0.0718%</u>	<u>\$ 517,497</u>	<u>\$ 1,256,084</u>	<u>41.2%</u>	<u>107.3%</u>

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

Waubay School District 18-3  
 Schedule of Pension Contributions  
 June 30, 2015

<u>Pension Plan</u>	<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered- Employee Payroll (d)</u>	<u>Contributions as a Percentage of Covered- Employee Payroll (b/d)</u>
SDRS	6/30/2015	\$ 69,611	\$ 69,611	-	\$ 1,160,173	6.0%

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

**Notes to Required Supplementary Information**

There are no factors that affect trends in the amounts reported, such as change of benefit terms or assumptions. With only one year reported in the RSI, there is no additional information to include in notes. Detail, if necessary, can be obtained from the SRDS financial statements.



CPAs & BUSINESS ADVISORS

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

The School Board  
Waubay School District 18-3  
Waubay, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Waubay School District 18-3 as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 29, 2015.

**Internal Control over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and; therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

*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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2015-A and 2015-B to be material weaknesses.

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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District'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 matters that are required to be reported under *Government Auditing Standards*.

**Response to Findings**

The School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School District's responses were 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.

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

Aberdeen, South Dakota  
December 29, 2015



CPAs & BUSINESS ADVISORS

## **Independent Auditor's Report on Compliance for Its Major Federal Program and Report on Internal Control Over Compliance in Accordance with OMB Circular A-133**

The School Board  
Waubay School District 18-3  
Waubay, South Dakota

### **Report on Compliance for Each Major Federal Program**

We have audited Waubay School District 18-3's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2015. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015.

## Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

Our consideration of internal control over compliance 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 and significant deficiencies may exist that were not identified. We consider the deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a material weakness.

The School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questions costs. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report 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.



Aberdeen, South Dakota  
December 29, 2015



Supplementary Information  
June 30, 2015

## Waubay School District 18-3

Waubay School District 18-3  
Schedule of Expenditures of Federal Awards  
June 30, 2015

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
US Department of Agriculture		
Pass-Through the SD Department of Education:		
Child Nutrition Cluster:		
Food Donation (Commodities Used)	10.555	\$ 4,978
School Breakfast Program (Note 2)	10.553	23,488
National School Lunch Program (Note 2)	10.555	45,013
Total Child Nutrition Cluster		<u>73,479</u>
Total US Department of Agriculture		<u>73,479</u>
US Department of Education		
Direct Federal Funding:		
Impact Aid	84.041	393,076
Indian Education - Grants to Local Educational Agencies	84.060	14,100
		<u>407,176</u>
Pass-Through the SD Department of Education:		
Title I Grants to Local Educational Agencies	84.010	76,577
Career and Technical Education - Basic Grants to States	84.048	4,562
Improving Teacher Quality State Grants (Title II)	84.367	48,800
Total US Department of Education		<u>537,115</u>
US Department of Health and Human Services		
Pass through the SD Department of Social Services:		
Indirect Medicaid	93.778	8,887
Total US Department of Health and Human Services		<u>8,887</u>
Grand Total		<u><u>\$ 619,481</u></u>

**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the Federal grant activity of the School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2 – Significant Accounting Policies**

Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures. The School District's summary of significant accounting policies is presented in Note 1 in the basic financial statements.

**Note 3 – Pass-Through Entity**

The pass-through entity has not provided identifying numbers; therefore, they are not included in this schedule.

**Note 4 – Food Donation**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At December 31, 2015, the School District had food commodities totaling \$2,515 in inventory.

**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(s) identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiency(s) identified that are not considered to be material weaknesses?	None Reported

Type of auditor's report issued on compliance for major programs:	Unmodified
---	------------

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	Yes
--	-----

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Impact Aid	84.041

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
--	-----------

Auditee qualified as low-risk auditee?	No
--	----

---

**Section II – Financial Statement Findings**

---

**Finding 2015-A Lack of Segregation of Duties**

Condition: Waubay School District 18-3 has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in revenue, expenditures and payroll functions because of a lack of segregation of duties.

Criteria: A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Cause: The School District has insufficient number of staff to adequately separate duties.

Effect: This condition increases the risk that fraud or errors might occur in the financial reporting process and not be detected by management.

Recommendation: Although it is recognized that the number of office staff may not be large enough to permit an adequate segregation of duties in all respects, it is important that management and those charged with governance be aware of this condition. We recommend that the School Board exercise adequate oversight of the accounting function.

**Management's Response and Corrective Action Plan**

Action Planned in Response to the Finding: Management accepts the risk associated with lack of segregation of duties in the School District. This is an ongoing finding.

Explanation of Disagreement: Management does not disagree.

Official Responsible for Ensuring Corrective Action Plan: Staci Rumpza, Business Manager

Planned Completion Date for Corrective Action: Ongoing

Plan to Monitor Completion of Corrective Action: Ongoing

**Finding 2015-B Preparation of Financial Statements and Footnotes**

Condition: Waubay School District 18-3 requested the external auditors to assist in the preparation of the financial statements and related footnotes for the year ended June 30, 2015. As part of the financial statement preparation process, at times we propose material audit adjustments that are not identified as a result of the School District's existing internal controls and; therefore, could result in a misstatement of the School District's financial statements.

Criteria: The School District's internal control structure should be designed to provide for the preparation of the financial statements and footnotes, which includes having an adequate system for recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

Cause: The limited size of the School District's staff and resources cause the inability to prepare the financial statements and footnotes and could cause the need for auditors to, at times, propose material journal entries.

Effect: This condition may affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Also, a thorough review of the transactions in each fund should take place prior to the beginning of the audit, to ensure generally accepted accounting principles have been followed for each fund type, especially for transaction types infrequent in occurrence.

**Management's Response and Corrective Action Plan**

Action Planned in Response to the Finding: Management accepts the risk associated with lack of segregation of duties in the School District. This is an ongoing finding.

Explanation of Disagreement: Management does not disagree.

Official Responsible for Ensuring Corrective Action Plan: Staci Rumpza, Business Manager

Planned Completion Date for Corrective Action: Ongoing

Plan to Monitor Completion of Corrective Action: Ongoing

---

**Section III – Federal Award Findings and Questioned Costs**

---

**Department of Education – Impact Aid (84.041)**

**Compliance Requirements Effected – Activities allowed and unallowed, Allowable costs/cost principles, and special tests and provisions (required level of expenditures).**

**Material Weakness**

**Finding 2015-001- As Stated in Finding 2015-A**

Questioned Cost: None

**Finding 2014-001**

**Department of Education – Impact Aid (84.041)**

**Compliance Requirements Effected – Activities allowed and unallowed, Allowable costs/cost principles, and special tests and provisions (required level of expenditures).**

**Material Weakness**

Finding: There was a lack of segregation of duties in the revenue, expenditure and payroll functions due to the size of the School District. This has been repeated since 1998.

Status: This has not been corrected and is restated as a current audit finding 2015-001.