

***WESSINGTON SPRINGS  
SCHOOL DISTRICT NO. 36-2  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2015***

*WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2015*

**Board Members:**

**Jeff Messmer - Board President**  
**Todd Grohs - Vice President**  
**Chris Schimke**  
**Wade Christensen**  
**Tonya Aldrich**  
**Ryan Jensen**  
**Amber Kolousek**

**Superintendent:**

**Lance Witte**

**Business Manager:**

**Julie Kraft**

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

School Board  
Wessington Springs School District No. 36-2  
Jerauld County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Wessington Springs School District No. 36-2, Jerauld County, South Dakota, 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 March 2, 2016.

*Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered Wessington Springs 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs as Finding Number 2015-01 to be a significant deficiency.

*Compliance and Other Matters*

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

*School District's Response to Findings*

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

*Purpose of This Report*

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

A handwritten signature in cursive script that reads "CLO Prof LLC".

Huron, South Dakota  
March 2, 2016

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2015**

**PRIOR FEDERAL COMPLIANCE AUDIT FINDINGS:**

The prior audit report contained no written audit comments.

**PRIOR OTHER AUDIT FINDINGS:**

**Finding Number 2014-01:**

A significant deficiency in internal controls was disclosed by our audit for a lack of proper segregation of duties for revenues and expenditures. This finding has not been corrected and is being restated as current audit finding number 2015-01.

*WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015*

**CURRENT OTHER AUDIT FINDINGS:**

**Internal Control – Related Finding – Significant Deficiency**

**Finding Number 2015-01:**

A significant deficiency in internal controls was disclosed by our audit for a lack of proper segregation of duties for revenues and expenditures.

**Criteria:**

The internal control system of a School can help assist in increased reliability of reported financial data, compliance with laws and regulations, and decreased potential for the loss of public records.

**Condition:**

The School District has a limited number of office personnel and, accordingly, does not have adequate accounting controls in the revenue and expenditure functions because of a lack of segregation of duties.

**Effect:**

As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

**Recommendation:**

We recommend a high level of awareness be maintained by management to assist in preventing, detecting, or correcting matters that may arise due to this internal control weakness. We recommend that management attempt to provide compensating internal controls whenever, and wherever, possible and practical.

**Management's Response:**

Due to staff size, it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct matters that may result.



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## *INDEPENDENT AUDITOR'S REPORT*

School Board  
Wessington Springs School District No. 36-2  
Jerauld County, South Dakota

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 Wessington Springs School District No. 36-2, Jerauld County, South Dakota, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Wessington Springs School District's basic financial statements, as listed in the Table of Contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express 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 of material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Wessington Springs School District No. 36-2 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.

*Emphasis of Matter*

**Adoption of New Accounting Standard.** As described in Note 11 to the financial statements, Wessington Springs School District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. As discussed in Note 10 to the financial statements, the Wessington Springs School District has retroactively restated the previously reported Net Position in accordance with this statement. Our opinions are no modified with respect to this matter.

*Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, the Schedule of the Proportionate Share of the Net Pension Liability, and the Schedule of the School District Contributions listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated March 2, 2016 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Huron, South Dakota  
March 2, 2016

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

This section of Wessington Springs School District 36-2's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2015. Please read it in conjunction with the School's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- During the year, the School's revenues of \$4,245,212 generated from taxes and other revenues of the governmental and business-type programs were \$565,322 more than the \$3,679,890 in governmental and business-type program expenditures.
- The total cost of the School's programs increased by approximately 8% which primarily due to capital outlay expenditures and tornado damage repairs, increased special education residential care and behavior services, and increased salaries & benefits staffing.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities that the school operates like businesses. The proprietary funds operated by the school are the Food Service Operation (Fund 51), and PASS, Preschool, and Drivers Education (Fund 53).
- Fiduciary fund statements provide information about the financial relationships in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

Figure A-1 summarizes the major features of the School's financial statements, including the portion of the School government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**Figure A-1**

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

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**Government-wide Statements**

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

The two government-wide statements report the School's net position and how they have changed. Net position is one way to measure the School's financial health or position:

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

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

- **Governmental Activities** - This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, and federal grants finance most of these activities.
- **Business-type Activities** - The school charges a fee to students to help cover the costs of providing breakfast and hot lunch services to all students. The Food Service Fund and the Enterprise Funds (Drivers Ed, Preschool, and PASS) are the only business-type activities of the School.

**Fund Financial Statements**

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

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

The School has three kinds of funds:

- **Governmental Funds** – Most of the School's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

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

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

**Net Position**

**The School’s combined net position increased as follows:**

Table A-1  
Wessington Springs School District No. 36-2  
Statement of Net Position

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>		<i>Percentage Change 2014-2015</i>
	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	
Current and Other Assets	\$ 4,702,081	\$ 5,821,646	\$ 52,932	\$ 38,879	\$ 4,755,013	\$ 5,860,525	23.25%
Capital Assets (Net of Depreciation)	1,395,364	1,314,598	--	--	1,395,364	1,314,598	-5.79%
Total Assets	6,097,445	7,136,244	52,932	38,879	6,150,377	7,175,123	16.66%
Pension Related Deferred Outflows	--	531,982	--	--	--	531,982	100.00%
Total Deferred Outflows of Resource	--	531,982	--	--	--	531,982	100.00%
Long-Term Liabilities Outstanding	848,486	849,038	--	--	848,486	849,038	0.07%
Other Liabilities	306,015	247,802	17,046	19,052	323,061	266,854	-17.40%
Total Liabilities	1,154,501	1,096,840	17,046	19,052	1,171,547	1,115,892	-4.75%
Taxes Levied for Future Period	1,259,136	1,298,315	--	--	1,259,136	1,298,315	3.11%
Pension Related Deferred Inflows	--	688,612	--	--	--	688,612	100.00%
Total Deferred Inflows of Resource	1,259,136	1,986,927	--	--	1,259,136	1,986,927	100.00%
<b>Net Position</b>							
Net Investment in Capital Assets	1,395,364	1,314,598	--	--	1,395,364	1,314,598	-5.79%
Restricted	1,054,903	1,687,083	--	--	1,054,903	1,687,083	59.93%
Unrestricted	1,233,541	1,582,778	35,886	19,827	1,269,427	1,602,605	26.25%
Total Net Position	3,683,808	4,584,459	35,886	19,827	3,719,694	4,604,286	23.78%
Beginning Net Position	3,179,551	4,003,078	30,239	35,886	3,209,790	4,038,964	
Increase (Decrease) in Net Position	\$ 504,257	\$ 581,381	\$ 5,647	\$ (16,059)	\$ 509,904	\$ 565,322	
Percentage of Increase (Decrease) in Net Position	15.86%	14.52%	18.67%	-44.75%	15.89%	14.00%	

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

The District’s combined net position of approximately \$4.6 million is approximately \$565,000 or 14% larger than on June 30, 2014. Most of the increase in net position comes from an increase in taxes and state aid, increase in restricted assets in the debt service sinking fund payment (QSCB) and cash on hand. Cash and cash equivalents increased 10.8% or about \$513,986 and capital assets decreased about 5.8% or \$80,766 was due to limited purchases and increased accumulated depreciation. Net Pension Asset is also included and is new this year as per GASB 68 accounting which accounts for a high percentage of the increase.

The Statement of Net Position reports all financial and capital resources. The statement presents the assets, deferred outflows of resources, liabilities and deferred inflows of resources in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the school, consisting of compensated absences payable and QSCB bonds, have been reported in this manner on the Statement of Net Position. The difference between the school’s assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is its net position.

**Changes in Net Position**

The District’s total revenues (excluding transfers) totaled \$4,245,212 (See Table A-4). This was approximately an 8% increase. Approximately 67% of the District’s revenue comes from property and other taxes, with another 22% from state aid. (See Table A-2)

Table A-2  
Wessington Springs School District No. 36-2  
Sources of Revenues  
Fiscal Year 2014-2015

Taxes	\$ 2,838,498	66.86%
State Sources	918,093	21.63%
Operating Grants & Contributio	223,385	5.26%
Charges for Services	99,567	2.35%
Other Revenues	112,048	2.64%
Unrestricted Investment Earning	<u>53,621</u>	<u>1.26%</u>
 <i>Total Revenue</i>	 <u><u>\$ 4,245,212</u></u>	 <u><u>100.00%</u></u>

All total cost of all programs and service increased by approximately 8%. The District’s total expenses totaled \$3,679,890. (See Table A-4). The School’s expenses cover a range of services, encompassing instruction, support services, interest on long term debt, co-curricular activities, food services, driver’s education, preschool, and PASS. (See Table A-3). The increase is primarily due to expenditures for tornado repairs, salary, distance learning increases, additional special education aides, increased special education services, special education transportation costs, residential programs for special education student and equipment.

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**Table A-3  
Wessington Springs School District No. 36-2  
Statement of Expenditures  
Fiscal Year 2014-2015**

Instruction	\$ 1,839,062	49.98%
Support Services	1,429,224	38.84%
Community Services	562	0.02%
Interest - on Long-Term Del	48,525	1.31%
Cocurricular Activities	144,597	3.93%
Food Service	171,170	4.65%
Drivers Education	46,750	1.27%
<b>Total Expenditures</b>	<b>\$ 3,679,890</b>	<b>100.00%</b>

**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

Table A-4 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the school.

**Table A-4  
Wessington Springs School District No. 36-2  
Changes in Net Position**

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>		<i>Total Percentage Change 2014-2015</i>
	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	
<b>Revenues</b>							
<b>Program Revenues</b>							
Charges for Services	\$ 35,732	\$ 22,091	\$ 73,440	\$ 77,476	\$ 109,172	\$ 99,567	-8.80%
Operating Grants and Contributio	128,224	118,231	111,379	105,154	239,603	223,385	-6.77%
<b>General Revenues</b>							
Taxes	2,714,001	2,838,498	--	--	2,714,001	2,838,498	4.59%
Revenue State Sources	717,905	917,169	731	924	718,636	918,093	27.75%
Unrestricted Investmet Earnings	79,525	53,603	100	18	79,625	53,621	-32.66%
Other General Revenues	52,545	112,048	20	--	52,565	112,048	113.16%
<b>Total Revenues</b>	<b>3,727,932</b>	<b>4,061,640</b>	<b>185,670</b>	<b>183,572</b>	<b>3,913,602</b>	<b>4,245,212</b>	<b>8.47%</b>
<b>Expenses</b>							
Instruction	1,771,640	1,839,062	--	--	1,771,640	1,839,062	3.81%
Support Services	1,243,304	1,429,224	--	--	1,243,304	1,429,224	14.95%
Community Services	529	562	--	--	529	562	6.24%
Interest on Long Term Debt	48,525	48,525	--	--	48,525	48,525	0.00%
Cocurricular Activities	137,877	144,597	--	--	137,877	144,597	4.87%
Food Service	--	--	163,054	171,170	163,054	171,170	4.98%
Other Enterprise Activity	--	--	38,769	46,750	38,769	46,750	20.59%
<b>Total Expenses</b>	<b>3,201,875</b>	<b>3,461,970</b>	<b>201,823</b>	<b>217,920</b>	<b>3,403,698</b>	<b>3,679,890</b>	<b>8.11%</b>
<b>Excess (Deficiency) Before Transfer</b>	<b>526,057</b>	<b>599,670</b>	<b>(16,153)</b>	<b>(34,348)</b>	<b>509,904</b>	<b>565,322</b>	<b>10.87%</b>
<b>Transfers</b>	<b>(21,800)</b>	<b>(18,289)</b>	<b>21,800</b>	<b>18,289</b>			<b>0.00%</b>
<b>Increase (Decrease) in Net Position</b>	<b>504,257</b>	<b>581,381</b>	<b>5,647</b>	<b>(16,059)</b>	<b>509,904</b>	<b>565,322</b>	<b>10.87%</b>
<b>Beginning Net Position</b>	<b>3,179,551</b>	<b>4,003,078</b>	<b>30,239</b>	<b>35,886</b>	<b>3,209,790</b>	<b>4,038,964</b>	<b>25.83%</b>
<b>Ending Net Position</b>	<b>\$ 3,683,808</b>	<b>\$ 4,584,459</b>	<b>\$ 35,886</b>	<b>\$ 19,827</b>	<b>\$ 3,719,694</b>	<b>\$ 4,604,286</b>	<b>23.78%</b>

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

**GOVERNMENTAL ACTIVITIES**

Revenues for the School's governmental activities increased approximately 9% due primarily to increases in ad valorem taxes and state aid. Property taxes did increase in General, Capital Outlay and Special Ed Funds due to increased enrollment and increased valuations. The General and Special Ed Funds had expenditure increases due to salary and benefit increases, tornado damages, special education services and residential care. Capital Outlay expenditures increase was due to tornado damages and repairs. Another reason for an overall net position increase was due to a change in reporting of Pension accumulated in the South Dakota Retirement System as per GASB 68.

**BUSINESS-TYPE ACTIVITIES**

Net position of the School's business-type activities decreased approximately \$16,000 or 45%. Most of this is due to decreased transfer of funds from General Fund to preschool, PASS and driver's education accounts and less federal grants and commodities in school lunch. Also the school experienced higher expenses in the school lunch fund, preschool, PASS and drivers education programs.

**FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

The General, Capital Outlay, and Debt Service Funds all had increases in fund balances. General Fund's increase mainly is due to SB 111 allowing certain General Fund expenditures from Capital Outlay, increased student enrollment and moderate spending. Capital Outlay balance increased due to expenditures being less than expected. Tax requests were not decreased due to potential consideration being given to possibly building a gym and/or bus garage. Special Ed fund balance increased due to an increase in property tax valuations as levy stayed the same. Pension decreased some due to increased expenses and keeping taxes the same dollar request. Debt Service Fund does has minimal expenditures since no QZCB bonds have reached their term date yet. The Pension Fund had a slight decrease in net position. This was due to using all of their revenue towards paying retirements.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the School Board revised the School budget several times. These amendments fall into two categories:

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

There were budget changes for the year due to needing additional funding for general operating expenses in the General Fund.

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**CAPITAL ASSET ADMINISTRATION**

By the end of 2015, the School had invested \$1,314,598 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5.) The decrease in capital assets was due to relatively small purchases (used bus and playground system) and increased depreciation expense. Business-type activities capital assets are zero because they are older and are depreciated out and no new purchases have been made that would be capitalized as our threshold is \$5,000.

Table A-5  
Wessington Springs School District No. 36-2  
Capital Assets (net of depreciation)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total Dollar Change</i>	<i>Total Percentage Change</i>
	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014-2015</i>	<i>2014-2015</i>
Land	\$ 14,500	\$ 14,500	\$ --	\$ --	\$ --	0.00%
Buildings	863,193	815,743	--	--	(47,450)	-5.50%
Improvements Other Than Building	25,901	20,871	--	--	(5,030)	-19.42%
Machinery and Equipment	491,770	463,484	--	--	(28,286)	-5.75%
Total Capital Assets (Net)	<u>\$ 1,395,364</u>	<u>\$ 1,314,598</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (80,766)</u>	<u>-5.79%</u>

This year's capital asset purchases of \$37,251 were a 2000 Bluebird bus to be used for an activity bus, Rainbow Playground system and library books. Total depreciation on assets was \$118,017.

**LONG-TERM DEBT**

At year-end the School had \$849,038 in general long term obligations. This balance includes Qualified Zone Construction Bonds payable and accrued sick leave payable. See individual balances as shown on Table A-6 below:

Table A-6  
Wessington Springs School District No. 36-2  
Outstanding Debt and Obligations

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total Dollar Change</i>	<i>Total Percentage Change</i>
	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014-2015</i>	<i>2014-2015</i>
Qualified Zone Construction Bonds	\$ 830,000	\$ 830,000	\$ --	\$ --	\$ --	0.00%
Compensated Absences	18,486	19,038	--	--	552	2.99%
Total Outstanding Debt and Obligations	<u>\$ 848,486</u>	<u>\$ 849,038</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 552</u>	<u>0.07%</u>

The School is liable for the accrued sick leave payable to the various employees who have five consecutive years or more of employment at the school District. The School is also liable for the repayment of Qualified Zone Construction Bonds.

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

The School’s current economic position has shown increases in fund balance. With little increases in State funding and only increases in property values, the District will need to control expenditures and find ways to attract students/families to our District, which we have done through our cyber school. Increasing student enrollment and grants will continue to play a factor in the offering of new programs to our District as well as SB 111. The General Fund is being increased purposely in preparation for the sunset of SB 111 in 2018.

One of the primary sources of revenue to the School is based on a per student allocation received from the State of South Dakota. In FY15, the state aid formula for the current year ensures that property taxes plus state aid will equal \$4,781.14 plus \$595.40 small school adjustment per pupil, which is on a \$74.97 over FY14. We are still behind the FY11 per student allocation of \$4,804.60 and the small school adjustment per pupil of \$652.60.

The school’s enrollment for the last nine years has been as follows:

**Table A-7  
Wessington Springs School District No. 36-2  
ADM for the Last Nine Years**

<i>Year</i>	<i>ADM</i>	<i>Percent Increase (Decrease) in ADM</i>
2015	319	13.50%
2014	281	0.00%
2013	281	2.50%
2012	274	-5.00%
2011	291	-2.00%
2010	297	3.40%
2009	287	5.50%
2008	272	-8.50%
2007	297	-2.00%

**CONTACTING THE SCHOOL’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School’s finances and to demonstrate the School’s accountability for the money it receives. If you have questions about this report or need additional information, contact the Wessington Springs Business Office, 302 Dakota Avenue N, Wessington Springs, SD 57382.

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	<i>PRIMARY GOVERNMENT</i>		
	<i>GOVERNMENTAL ACTIVITIES</i>	<i>BUSINESS-TYPE ACTIVITIES</i>	<i>TOTAL</i>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 2,422,033	\$ 33,640	\$ 2,455,673
Investments	1,100,000	--	1,100,000
Incidental imprest account	1,000	--	1,000
Taxes receivable	1,303,836	--	1,303,836
Inventories	19,014	4,634	23,648
Other assets	182,981	605	183,586
Restricted assets:			
Cash and cash equivalents	198,212	--	198,212
Net pension asset	594,570	--	594,570
Capital assets:			
Land	14,500	--	14,500
Other capital assets, net of depreciation	1,300,098	--	1,300,098
<b>TOTAL ASSETS</b>	<b>7,136,244</b>	<b>38,879</b>	<b>7,175,123</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension related deferred outflows	531,982	--	531,982
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>531,982</b>	<b>--</b>	<b>531,982</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 7,668,226</b>	<b>\$ 38,879</b>	<b>\$ 7,707,105</b>
<b>LIABILITIES:</b>			
Accounts payable	\$ 29,476	\$ 1,791	\$ 31,267
Other current liabilities	218,326	17,261	235,587
Noncurrent liabilities:			
Due within one year	1,000	--	1,000
Due in more than one year	848,038	--	848,038
<b>TOTAL LIABILITIES</b>	<b>1,096,840</b>	<b>19,052</b>	<b>1,115,892</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Taxes levied for future period	1,298,315	--	1,298,315
Pension related deferred inflows	688,612	--	688,612
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,986,927</b>	<b>--</b>	<b>1,986,927</b>
<b>NET POSITION:</b>			
Net investment in capital assets	1,314,598	--	1,314,598
Restricted for:			
Capital outlay	379,483	--	379,483
Special education	598,568	--	598,568
Pension	72,880	--	72,880
Debt service	198,212	--	198,212
SDRS pension purposes	437,940	--	437,940
Unrestricted	1,582,778	19,827	1,602,605
<b>TOTAL NET POSITION</b>	<b>\$ 4,584,459</b>	<b>\$ 19,827</b>	<b>\$ 4,604,286</b>

*The accompanying notes to financial statements are  
an integral part of these financial statements.*

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

FUNCTIONS / PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
<i>Primary Government:</i>							
<i>Governmental Activities:</i>							
Instruction	\$ 1,839,062	\$ --	\$ 118,231	\$ --	\$ (1,720,831)	\$ --	\$ (1,720,831)
Support services	1,429,224	5,801	--	--	(1,423,423)	--	(1,423,423)
Community services	562	--	--	--	(562)	--	(562)
Interest expense	48,525	--	--	--	(48,525)	--	(48,525)
Cocurricular activities	144,597	16,290	--	--	(128,307)	--	(128,307)
<i>Total Governmental Activities</i>	<u>3,461,970</u>	<u>22,091</u>	<u>118,231</u>	<u>--</u>	<u>(3,321,648)</u>	<u>--</u>	<u>(3,321,648)</u>
<i>Business-Type Activities</i>							
Food service	171,170	55,750	105,154	--	--	(10,266)	(10,266)
Drivers education	4,363	3,325	--	--	--	(1,038)	(1,038)
PASS program	10,059	5,426	--	--	--	(4,633)	(4,633)
Preschool program	32,328	12,975	--	--	--	(19,353)	(19,353)
<i>Total Business-type Activities</i>	<u>217,920</u>	<u>77,476</u>	<u>105,154</u>	<u>--</u>	<u>--</u>	<u>(35,290)</u>	<u>(35,290)</u>
<i>Total Primary Government</i>	<u>\$ 3,679,890</u>	<u>\$ 99,567</u>	<u>\$ 223,385</u>	<u>\$ --</u>	<u>(3,321,648)</u>	<u>(35,290)</u>	<u>(3,356,938)</u>
<b>GENERAL REVENUES:</b>							
<b>Taxes:</b>							
Property taxes					2,715,509	--	2,715,509
Utility taxes					122,989	--	122,989
<b>Revenue from state sources:</b>							
State aid					917,169	924	918,093
Unrestricted investment earnings					53,603	18	53,621
Other general revenues					112,048	--	112,048
Transfers					(18,289)	18,289	--
<i>Total General Revenues and Transfers</i>					<u>3,903,029</u>	<u>19,231</u>	<u>3,922,260</u>
<b>Change in Net Position</b>					<u>581,381</u>	<u>(16,059)</u>	<u>565,322</u>
<i>NET POSITION, Beginning of Year</i>					<u>3,683,808</u>	<u>35,886</u>	<u>3,719,694</u>
<b>Adjustment: See note 10</b>					<u>319,270</u>	<u>--</u>	<u>319,270</u>
<i>ADJUSTED NET POSITION, Beginning of Year</i>					<u>4,003,078</u>	<u>35,886</u>	<u>4,038,964</u>
<i>NET POSITION, End of Year</i>					<u>\$ 4,584,459</u>	<u>\$ 19,827</u>	<u>\$ 4,604,286</u>

*The accompanying notes to financial statements are an integral part of these financial statements.*

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**BALANCE SHEET**  
**JUNE 30, 2015**

	<u>GENERAL FUND</u>	<u>CAPITAL OUTLAY FUND</u>	<u>SPECIAL EDUCATION FUND</u>	<u>PENSION FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 1,103,936	\$ 962,656	\$ 332,843	\$ 22,598	\$ --	\$ 2,422,033
Taxes receivable--current	585,924	473,315	205,800	33,276	--	1,298,315
Taxes receivable--delinquent	1,944	2,627	668	282	--	5,521
Accounts receivable	16,317	18,660	--	--	--	34,977
Due from other government	148,004	--	--	--	--	148,004
Inventory of supplies	19,014	--	--	--	--	19,014
Advance payments	1,000	--	--	--	--	1,000
Investments	500,000	250,000	300,000	50,000	--	1,100,000
Restricted cash	--	--	--	--	198,212	198,212
<b>TOTAL ASSETS</b>	<b>\$ 2,376,139</b>	<b>\$ 1,707,258</b>	<b>\$ 839,311</b>	<b>\$ 106,156</b>	<b>\$ 198,212</b>	<b>\$ 5,227,076</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<i>Liabilities:</i>						
Accounts payable	\$ 2,804	\$ 24,460	\$ 2,212	\$ --	\$ --	\$ 29,476
Contracts payable	134,093	--	21,910	--	--	156,003
Payroll deductions and withholding and employer matching payable	56,109	--	6,214	--	--	62,323
<i>Total Liabilities</i>	<u>193,006</u>	<u>24,460</u>	<u>30,336</u>	<u>--</u>	<u>--</u>	<u>247,802</u>
<i>Deferred Inflows of Resources:</i>						
Taxes levied for a future period	585,924	473,315	205,800	33,276	--	1,298,315
Unavailable revenue-property taxes	1,944	2,627	668	282	--	5,521
<i>Total Deferred Inflows of Resources</i>	<u>587,868</u>	<u>475,942</u>	<u>206,468</u>	<u>33,558</u>	<u>--</u>	<u>1,303,836</u>
<i>Fund Balances:</i>						
<i>Nonspendable</i>	19,014	--	--	--	--	19,014
<i>Restricted:</i>						
Capital outlay fund	--	1,206,856	--	--	--	1,206,856
Special education fund	--	--	602,507	--	--	602,507
Pension fund	--	--	--	72,598	--	72,598
Debt service requirements	--	--	--	--	198,212	198,212
<i>Assigned</i>	301,957	--	--	--	--	301,957
<i>Unassigned</i>	1,274,294	--	--	--	--	1,274,294
<i>Total Fund Balances</i>	<u>1,595,265</u>	<u>1,206,856</u>	<u>602,507</u>	<u>72,598</u>	<u>198,212</u>	<u>3,675,438</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 2,376,139</b>	<b>\$ 1,707,258</b>	<b>\$ 839,311</b>	<b>\$ 106,156</b>	<b>\$ 198,212</b>	<b>\$ 5,227,076</b>

*The accompanying notes to financial statements are an integral part of these financial statements.*

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

<i>Total Fund Balances - Governmental Funds</i>			\$ 3,675,438
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>			
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.			594,570
Capital assets used in governmental activities are not resources and therefore are not reported in the funds.	The cost of capital assets are Accumulated depreciation is Net	3,804,643 <u>(2,490,045)</u>	1,314,598
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.			531,982
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	Quality School Construction Bonds Accrued leave payable	(830,000) <u>(19,038)</u>	(849,038)
Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.	Delinquent Taxes Utility Taxes	5,521 <u>    --</u>	5,521
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.			<u>(688,612)</u>
<i>Net Position-Governmental Funds</i>			<u><u>\$ 4,584,459</u></u>

*The accompanying notes to financial statements are an integral part of these financial statements.*

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>GENERAL FUND</u>	<u>CAPITAL OUTLAY FUND</u>	<u>SPECIAL EDUCATION FUND</u>	<u>PENSION FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES</b>						
<i>Revenue from Local Sources:</i>						
<i>Taxes:</i>						
Ad valorem taxes	\$ 1,222,062	\$ 993,865	\$ 401,683	\$ 69,578	\$ --	\$ 2,687,188
Prior years' ad valorem taxes	8,814	7,177	2,640	504	--	19,135
Utility taxes	193,946	--	--	--	--	193,946
Penalties and interest on taxes	2,832	2,397	894	170	--	6,293
<i>Earnings on investments and deposits</i>	4,473	44,730	1,921	372	2,107	53,603
<i>Cocurricular Activities:</i>						
Admissions	16,290	--	--	--	--	16,290
<i>Other revenue from local sources:</i>						
Rentals	1,120	--	--	--	--	1,120
Contributions and donations	3,995	16,216	--	--	--	20,211
Judgments	200	--	--	--	--	200
Charges for services	4,869	--	932	--	--	5,801
Other	19,843	360	125	--	--	20,328
<i>Revenue from Intermediate Sources:</i>						
<i>County Sources:</i>						
County apportionment	35,015	--	--	--	--	35,015
Revenue in lieu of taxes	6,264	2,507	1,043	201	--	10,015
<i>Revenue from State Sources:</i>						
<i>Grants-in-Aid:</i>						
Unrestricted grants-in-aid	917,038	--	--	--	--	917,038
<i>Other state revenue</i>	131	--	--	--	--	131
<i>Revenue from Federal Sources:</i>						
<i>Grants-in-Aid:</i>						
Restricted grants-in-aid received from Federal government through the state	116,019	--	--	--	--	116,019
<i>Other Federal Revenue</i>	2,212	--	--	--	--	2,212
<b>TOTAL REVENUES</b>	<u>2,555,123</u>	<u>1,067,252</u>	<u>409,238</u>	<u>70,825</u>	<u>2,107</u>	<u>4,104,545</u>

*The accompanying notes to financial statements are an integral part of these financial statements.*

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**CONTINUED**

	GENERAL FUND	CAPITAL OUTLAY FUND	SPECIAL EDUCATION FUND	PENSION FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
<b>EXPENDITURES</b>						
<i>Instruction:</i>						
<i>Regular Programs:</i>						
Elementary	\$ 612,711	\$ 67,313	\$ --	\$ 26,240	\$ --	\$ 706,264
Middle school	142,646	49,880	--	6,277	--	198,803
High school	368,327	111,825	--	11,999	--	492,151
Preschool services	--	--	--	1,536	--	1,536
<i>Special Programs:</i>						
Programs for special education	--	--	368,911	--	--	368,911
Educationally deprived	98,343	--	--	855	--	99,198
<i>Support Services:</i>						
<i>Pupils:</i>						
Guidance	42,982	146	--	1,942	--	45,070
Health	1,216	--	--	--	--	1,216
Psychological	--	--	12,562	--	--	12,562
Speech pathology	--	--	15,356	--	--	15,356
Student therapy services	--	--	16,687	--	--	16,687
<i>Instructional Staff:</i>						
Improvement of instruction	1,059	--	--	--	--	1,059
Educational media	91,815	5,215	--	2,417	--	99,447
<i>General Administration:</i>						
Board of education	38,854	23,548	--	--	--	62,402
Executive administration	85,371	2,606	--	3,707	--	91,684
<i>School Administration:</i>						
Office of the principal	138,146	1,390	--	5,912	--	145,448
Other	6,468	--	--	--	--	6,468
<i>Business:</i>						
Fiscal services	87,044	3,671	--	3,060	--	93,775
Operation and maintenance of plant	203,402	753,179	--	4,870	--	961,451
Pupil transportation	115,931	44,064	--	1,550	--	161,545
Food service	10,275	--	--	--	--	10,275
<i>Special Education:</i>						
Administrative costs	--	--	14,744	--	--	14,744
Transportation costs	--	--	3,877	--	--	3,877
Other	--	--	19,276	--	--	19,276
<i>Community Services:</i>						
Custody and care of children	--	--	--	562	--	562
<i>Debt Services</i>						
	--	47,725	--	--	800	48,525
<i>Cocurricular Activities:</i>						
Combined activities	105,752	22,987	--	2,839	--	131,578
Capital Outlay	800	36,451	--	--	--	37,251
<b>TOTAL EXPENDITURES</b>	<b>2,151,142</b>	<b>1,170,000</b>	<b>451,413</b>	<b>73,766</b>	<b>800</b>	<b>3,847,121</b>
<i>Excess of Revenue Over (Under)</i>						
<i>Expenditures</i>	403,981	(102,748)	(42,175)	(2,941)	1,307	257,424

*The accompanying notes to financial statements are an integral part of these financial statements.*

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**CONTINUED**

	<u>GENERAL FUND</u>	<u>CAPITAL OUTLAY FUND</u>	<u>SPECIAL EDUCATION FUND</u>	<u>PENSION FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<i>OTHER FINANCING SOURCES (USES):</i>						
Transfers in	\$ 5,706	\$ --	\$ --	\$ --	\$ 48,823	\$ 54,529
Transfer out	(18,289)	(52,236)	(1,921)	(372)	--	(72,818)
Sale of surplus property	45	--	--	--	--	45
Compensation for loss of general capital assets	22,295	345,595	--	--	--	367,890
<i>TOTAL OTHER FINANCING SOURCES (USES)</i>	<u>9,757</u>	<u>293,359</u>	<u>(1,921)</u>	<u>(372)</u>	<u>48,823</u>	<u>349,646</u>
<i>Net Change in Fund Balances</i>	413,738	190,611	(44,096)	(3,313)	50,130	607,070
<i>Changes in Nonspendable</i>	5,023	--	--	--	--	5,023
<i>FUND BALANCE - Beginning of Year</i>	1,176,504	1,016,245	646,603	75,911	148,082	3,063,345
<i>FUND BALANCE - End of Year</i>	<u>\$ 1,595,265</u>	<u>\$ 1,206,856</u>	<u>\$ 602,507</u>	<u>\$ 72,598</u>	<u>\$ 198,212</u>	<u>\$ 3,675,438</u>

*The accompanying notes to financial statements are an integral part of these financial statements.*

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$	607,070
 <b>Amounts reported for governmental activities in the Statement of Activities are different because:</b>		
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.		37,251
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.		(118,017)
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the fund's 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".		(68,064)
Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the Statement of Activities, expenses for these benefits are recognized when the employees earn leave credits or elect to retire early.	Accrued Leave	(552)
Supplies acquired are an expenditure on the fund statements when purchased but are expensed on the Statement of Activities when consumed. This amount represents the "change in" inventory of supplies.		5,023
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.		118,670
 <i>Change in Net Position of Governmental Funds</i>	\$	581,381

*The accompanying notes to financial statements are an integral part of these financial statements.*

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
**JUNE 30, 2015**

	<i>ENTERPRISE FUNDS</i>		
	<i>FOOD SERVICE FUND</i>	<i>OTHER ENTERPRISE FUNDS</i>	<i>TOTAL</i>
<b>ASSETS:</b>			
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 25,781	\$ 7,859	\$ 33,640
Accounts receivable, net	--	605	605
Inventory of supplies	817	--	817
Inventory of stores purchased for resale	1,358	--	1,358
Inventory of donated food	2,459	--	2,459
<i>Total Current Assets</i>	<u>30,415</u>	<u>8,464</u>	<u>38,879</u>
<i>Capital Assets:</i>			
Machinery and equipment--local funds	14,140	--	14,140
Accumulated depreciation	(14,140)	--	(14,140)
<i>Capital Assets - Net</i>	<u>--</u>	<u>--</u>	<u>--</u>
<b>TOTAL ASSETS</b>	<u>\$ 30,415</u>	<u>\$ 8,464</u>	<u>\$ 38,879</u>
<b>LIABILITIES AND NET POSITION:</b>			
<i>Liabilities:</i>			
<i>Current Liabilities:</i>			
Accounts payable	\$ 1,791	\$ --	\$ 1,791
Contracts payable	--	8,109	8,109
Payroll deductions and withholdings and employer matching payable	3,814	1,369	5,183
Unearned revenue	3,969	--	3,969
<i>Total Current Liabilities</i>	<u>9,574</u>	<u>9,478</u>	<u>19,052</u>
<i>Net Position:</i>			
Unrestricted net position	<u>20,841</u>	<u>(1,014)</u>	<u>19,827</u>
<i>Total Net Position</i>	<u>20,841</u>	<u>(1,014)</u>	<u>19,827</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 30,415</u>	<u>\$ 8,464</u>	<u>\$ 38,879</u>

*The accompanying notes to financial statements are  
an integral part of these financial statements.*

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<i>ENTERPRISE FUNDS</i>		
	<i>FOOD SERVICE FUND</i>	<i>OTHER ENTERPRISE FUNDS</i>	<i>TOTAL</i>
<b>OPERATING REVENUES:</b>			
<i>Sales:</i>			
To pupils	\$ 52,833	\$ --	\$ 52,833
To adults	2,917	--	2,917
Miscellaneous	--	--	--
Other charges for goods and services	--	21,726	21,726
<i>Total Operating Revenue</i>	<u>55,750</u>	<u>21,726</u>	<u>77,476</u>
<b>OPERATING EXPENSES:</b>			
Salaries	40,419	39,592	80,011
Employee benefits	31,044	5,384	36,428
Purchased services	29,108	489	29,597
Supplies	3,822	1,063	4,885
Cost of Sales - supplies	3,605	--	3,605
Cost of Sales - purchased food	54,185	--	54,185
Cost of Sales - donated food	8,235	--	8,235
Miscellaneous	752	222	974
<i>Total Operating Expenses</i>	<u>171,170</u>	<u>46,750</u>	<u>217,920</u>
<i>Operating Loss</i>	<u>(115,420)</u>	<u>(25,024)</u>	<u>(140,444)</u>
<b>NONOPERATING REVENUES:</b>			
Investment earnings	18	--	18
<i>State Sources:</i>			
Cash reimbursements	924	--	924
<i>Federal Sources:</i>			
Cash reimbursements	95,191	--	95,191
Donated food	9,963	--	9,963
<i>Total Nonoperating Revenue</i>	<u>106,096</u>	<u>--</u>	<u>106,096</u>
<i>Transfers In</i>	--	18,289	18,289
<i>Change in Net Position</i>	(9,324)	(6,735)	(16,059)
<i>NET POSITION, Beginning of Year</i>	<u>30,165</u>	<u>5,721</u>	<u>35,886</u>
<i>NET POSITION, End of Year</i>	<u>\$ 20,841</u>	<u>\$ (1,014)</u>	<u>\$ 19,827</u>

*The accompanying notes to financial statements are  
an integral part of these financial statements.*

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<i>ENTERPRISE FUNDS</i>		
	<i>FOOD SERVICE FUND</i>	<i>OTHER ENTERPRISE FUND</i>	<i>TOTAL</i>
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>			
Receipts from customers	\$ 56,816	\$ 22,150	\$ 78,966
Payments to suppliers	(91,257)	(2,213)	(93,470)
Payments to employees	(71,688)	(45,041)	(116,729)
<i>NET CASH USED BY OPERATING ACTIVITIES</i>	<u>(106,129)</u>	<u>(25,104)</u>	<u>(131,233)</u>
<i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</i>			
Investment earnings	18	--	18
Transfer from general fund	--	18,289	18,289
Cash reimbursements - state	924	--	924
Cash reimbursements - federal	95,191	--	95,191
<i>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</i>	<u>96,133</u>	<u>18,289</u>	<u>114,422</u>
<i>NET INCREASE IN CASH AND CASH EQUIVALENTS</i>	(9,996)	(6,815)	(16,811)
<i>CASH AND CASH EQUIVALENTS, Beginning of Year</i>	35,777	14,674	50,451
<i>CASH AND CASH EQUIVALENTS, End of Year</i>	<u>\$ 25,781</u>	<u>\$ 7,859</u>	<u>\$ 33,640</u>
<i>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</i>			
<i>Operating Loss</i>	\$ (115,420)	\$ (25,024)	\$ (140,444)
<i>Adjustments to reconcile operating loss to net cash used by operating activities:</i>			
<i>Noncash cost of sales-commodities</i>	6,486	--	6,486
<i>Change in Assets and Liabilities:</i>			
Accounts receivable	61	424	485
Inventories	(1,515)	--	(1,515)
Accounts payable	1,731	(440)	1,291
Payroll payable	(225)	(64)	(289)
Unearned revenue	1,004	--	1,004
Accrued leave payable	--	--	--
<i>NET CASH USED BY OPERATING ACTIVITIES</i>	<u>\$ (107,878)</u>	<u>\$ (25,104)</u>	<u>\$ (132,982)</u>
<i>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</i>			
Value of commodities received	<u>\$ 9,963</u>	<u>\$ --</u>	<u>\$ 9,963</u>

*The accompanying notes to financial statements are  
an integral part of these financial statements.*

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
STATEMENT OF NET POSITION – FIDUCIARY FUNDS  
JUNE 30, 2015**

	<i>AGENCY FUNDS</i>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 38,965
<b>TOTAL ASSETS</b>	<b>\$ 38,965</b>
 <b>LIABILITIES AND NET POSITION</b>	
<i>Liabilities:</i>	
Amounts held for others	\$ 38,965
 <i>Net Position:</i>	--
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 38,965</b>

*The accompanying notes to financial statements are  
an integral part of these financial statements.*

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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

**a. Financial Reporting Entity:**

The reporting entity of Wessington Springs School District No. 36-2, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on the organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has no component units.

**b. Basis of Presentation:**

**Government-Wide Financial Statements:**

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

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**b. Basis of Presentation: (continued)**

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

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

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

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**b. Basis of Presentation: (continued)**

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

**Governmental Funds:**

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

**Special Revenue Fund Types** - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**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 that reside within the School District. This fund is financed by grants and property taxes. This is a major fund.

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

**Debt Service Fund** – Debt Service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**The Bond Redemption Fund** – The QZCB Fund is the only debt service fund. This fund was established to collect money in the sinking funds for payment of term bonds. The Capital Outlay fund transfers money to this fund on a yearly basis. At the end of the term, the bonds will be paid off. This is a major fund.

**Proprietary Funds:**

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

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

b. *Basis of Presentation:* *(continued)*

Proprietary Funds: (continued)

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

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

Other Enterprise Fund – A fund used to record financial transactions related to drivers education, preschool, and PASS which is an after school program. This fund is financed by user charges. This is a major fund.

Fiduciary Funds:

Fiduciary Funds consist of the following sub-category are never considered to be major funds.

Agency Funds – Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains several agency funds for various class years, clubs, and athletic teams which account for the monies earned for the various class, club or team projects.

c. *Measurement Focus and Basis of Accounting:*

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

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**c. Measurement Focus and Basis of Accounting: (continued)**

**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 Wessington Springs School District 36-2, the length of that cycle is sixty days. The revenues which are accrued at June 30, 2015 are donations for bleachers, food service, preschool and PASS receivables and grants due from federal government.**

**Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.**

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

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**c. Measurement Focus and Basis of Accounting: (continued)**

All proprietary 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.

**d. 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 balances in the fund financial statements have been eliminated or reclassified, as follows:

- 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.

**e. Inventory:**

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

For the governmental activities and proprietary fund types, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the government-wide and the 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 Nonspendable fund balance, which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets. The school had approximately \$19,000 in governmental activity inventories as of June 30, 2015.

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**f. Deposits and Investments:**

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist entirely (primarily) of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

**g. Capital Assets:**

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

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

**Government-Wide Financial Statements:**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at the estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized. 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.

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**g. Capital Assets: (continued)**

**Government-Wide Financial Statements: (continued)**

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	\$ --	-- *	--
Land improvements	\$ 5,000	straight-line	20 years
Buildings	\$ 5,000	straight-line	50 years
Machinery & equipment	\$ 5,000	straight-line	5-30 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.

**h. 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 consist of bonds payable and compensated absences.

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

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**i. 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 nonexchange 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 nonexchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

**j. 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.

**k. Accumulated Unpaid Vacation and Sick Leave:**

Annual leave is earned by the employees at the rate of zero to 20 days per year depending on position. Upon termination, employees are not entitled to receive compensation for their accrued annual leave balance.

Sick leave is earned by the employees at the rate of ten to twelve days per year depending on position. Upon termination, employees who have worked five consecutive years or more for the district are entitled to receive \$10 per day up to 80 days for unused sick leave days if they leave the School District.

**l. Unavailable Revenue:**

Under the modified accrual basis of accounting, receivables, such as taxes receivable, may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported unavailable revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**m. Cash and Cash Equivalents:**

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

**n. Equity Classifications:**

**Government-Wide Financial Statements:**

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

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

**Fund Financial Statements:**

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

**o. 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.

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**p. Fund Balance Classification Policies and Procedures:**

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

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

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

**Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.**

**Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the School Board.**

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

The School District’s Nonspendable Fund Balance consists of Inventories and the Assigned Fund Balance consists of the amount necessary to protect the school districts cash liquidity from July 1, through mid-November of the subsequent fiscal year.

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

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

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

<b>Major Special Revenue Fund</b>	<b>Revenue Source</b>
<b>Capital Outlay Fund</b>	<b>Taxes</b>
<b>Special Education Fund</b>	<b>Taxes</b>
<b>Pension Fund</b>	<b>Taxes</b>

*WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

q. *Use of Estimates:*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

r. *Pensions:*

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

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

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

Investments – In general, SDCL 4-5-6 permits school funds to be invested 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); or in shares of an open-end, no-loan fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall 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.

No investments were held as of June 30, 2015 or during the year then ended. "Investments" presented in the financial statements were certificates of deposit having maturities in excess of 90 days when acquired.

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

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK: (continued)**

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

**Interest Rate Risk** – The School District does not have a formal 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.

**Concentration of Credit Risk** – The School District places no limit on the amount that may be invested in any one issuer.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The District's policy is to credit all income from deposits and investments to the General Fund for all governmental funds except for Debt Service Fund which accumulates interest to help pay off the term bonds.

The United States generally accepted accounting principles, on the other hand, requires income from deposits and investments to be recorded in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

**3. PROPERTY TAX:**

Property taxes are levied on or before each October 1, attach as an enforceable lien on property, and become due and payable as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the 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 intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**4. CHANGES IN CAPITAL ASSETS:**

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

<i>PRIMARY GOVERNMENT:</i>	<i>Balance 7/01/14</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance 6/30/15</i>
<i>Governmental activities:</i>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 14,500	\$ --	\$ --	\$ 14,500
<i>Capital assets, being depreciated:</i>				
Buildings	2,319,682	--	--	2,319,682
Improvements other than building	311,503	--	--	311,503
Machinery and equipment	1,121,707	37,251	--	1,158,958
<i>Total, being depreciated</i>	<u>3,752,892</u>	<u>37,251</u>	<u>--</u>	<u>3,790,143</u>
<i>Less accumulated depreciation for:</i>				
Buildings	1,456,489	47,450	--	1,503,939
Improvements other than building	285,602	5,030	--	290,632
Machinery and equipment	629,937	65,537	--	695,474
<i>Total accumulated depreciation</i>	<u>2,372,028</u>	<u>118,017</u>	<u>--</u>	<u>2,490,045</u>
<i>Total capital assets being depreciated, net</i>	<u>1,380,864</u>	<u>(80,766)</u>	<u>--</u>	<u>1,300,098</u>
<i>Governmental activity capital assets, net</i>	<u>\$ 1,395,364</u>	<u>\$ (80,766)</u>	<u>\$ --</u>	<u>\$ 1,314,598</u>
<i>Component Unit Capital Assets Net</i>	<u>\$ 1,395,364</u>	<u>\$ (80,766)</u>	<u>\$ --</u>	<u>\$ 1,314,598</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 36,287
Support Services	65,681
Cocurricular Activities	16,049
<b>Total Depreciation Expense - Governmental Activities</b>	<u><u>\$ 118,017</u></u>

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**4. CHANGES IN CAPITAL ASSETS: (continued)**

	<u>Balance 7/1/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/15</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
<i>Capital assets, being depreciated:</i>				
Machinery and equipment	\$ 14,140	\$ --	\$ --	\$ 14,140
<i>Total, being depreciated</i>	<u>14,140</u>	<u>--</u>	<u>--</u>	<u>14,140</u>
<i>Less accumulated depreciation for:</i>				
Machinery and equipment	14,140	--	--	14,140
<i>Total accumulated depreciation</i>	<u>14,140</u>	<u>--</u>	<u>--</u>	<u>14,140</u>
<i>Total capital assets being depreciated, net</i>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<i>Business-type activity capital assets, net</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

**5. LONG-TERM LIABILITIES:**

A summary of changes in long-term debt follows:

	<u>Balance 7/1/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/15</u>	<u>Due Within One Year</u>
<i>Governmental Activities:</i>					
Qualified School Construction Bonds	\$ 830,000	\$ --	\$ --	\$ 830,000	\$ --
Compensated Absences	18,486	1,995	1,443	19,038	--
<i>Total Debt</i>	<u>\$ 848,486</u>	<u>\$ 1,995</u>	<u>\$ 1,443</u>	<u>\$ 849,038</u>	<u>\$ --</u>

Compensated absences for governmental activities typically have been liquidated from the General and Special Education Funds.

Debt payable at June 30, 2015 is comprised of the following:

**Qualified School Construction Bonds:**

During December 2010, the School District entered into an agreement to receive Qualified School Construction Bonds in the amount of \$830,000. These are term bonds and payment is not due in full until the term is up. The interest rate on these bonds is 5.75%. The term is up in July 2027. The Capital Outlay Fund makes deposits annually of \$48,824 into a Debt Service (Sinking) Fund. When the term is up, the bonds will be mature and the Debt Service Fund will retire

\$ 830,000

**Compensated Absences**

\$ 19,038

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**5. LONG-TERM LIABILITIES: (continued)**

The annual requirements to amortize the Qualified School Construction Bonds outstanding at June 30, 2015, are as follows:

*Qualified School Construction Bonds*

		<u>Principal</u>		<u>Interest</u>
2016	\$	--	\$	47,725
2017		--		47,725
2018		--		47,725
2019		--		47,725
2020		--		47,725
2021-2025		--		238,625
2026-2028		830,000		119,313
		<u>\$ 830,000</u>		<u>\$ 596,563</u>

**6. OPERATING LEASES:**

The School District entered into a five-year operational agreement with the Spring Valley Hutterian Brethren, Inc. on July 1, 2010. The agreement states that the Spring Valley colony leases the school building on the colony premises to the Wessington Springs School District for \$7,500 per year. Rental payments made by the school shall be used exclusively for building improvements and maintenance for the school building. Various covenants and restrictions apply to this lease agreement. Payments are made from the Capital Outlay Fund.

The School District entered into an agreement to lease a copier for a thirty-six (36) month period on August 2013. The monthly payment is approximately \$273 for the lease and \$.0050 per black and white copy and \$.0500 per color copy per year. The agreement contains various covenants, restrictions, and provisions. Payments are made from the Capital Outlay Fund.

The School District entered into a lease agreement with Total Building, LLC on December 1, 2009 for the lease of half of a building to house school busses in. The original agreement was for the school to pay \$655 a month with a chance of a 3% increase per year. During the FY13, the school paid \$675 for 5 months and \$695 for 7 months. As of December 1, 2012, the school renewed the rental agreement for a new monthly rental amount of \$700 per month beginning on 12/01/12 through 11/30/13. Although the lease technically ended on 11/30/13, the school and Total Building, LLC had an oral agreement to continue to pay \$700 per month. The School District and Total Building have a new lease starting 12/1/15 through 11/30/16 with the payments per month staying at \$700. Payments are made from the Capital Outlay Fund.

The following are the minimum payments on existing operating leases:

<u>Year</u>	<u>Spring Valley School</u>	<u>Copier</u>	<u>Bus Garage</u>	<u>Total</u>
2016	\$ 7,500	\$ 3,273	\$ 4,900	\$15,673
2017	--	546	3,500	4,046

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**7. INTERFUND ACTIVITY:**

Transfers to/from other funds at June 30, 2015, consist of the followings:

- \$ 5,706 Transfers from the other governmental funds to the General Fund for income earned on deposits.
- \$ 18,289 Transfers from General Fund to Preschool, PASS, and Drivers Education funds to assist in covering costs of those programs.
- \$ 48,823 Transfer from the Capital Outlay Fund to the Debt Service Fund to deposit money towards paying off the Qualified Academy Construction Bonds when their term is complete.

**8. RESTRICTED NET POSITION:**

Restricted Net Position for the year ended June 30, 2015 was as follows:

<u>Funds</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	Law	\$ 379,483
Special Education	Law	598,568
Pension	Law	72,880
Debt Service	Debt Covenants	198,212
SDRS Pension Purposes	Law	437,940
		<u>\$ 1,687,083</u>

**9. ASSIGNED FUND BALANCES FOR CASH FLOW:**

As authorized by SDCL 13-11-12, the school board has determined that a year-end minimum fund balance of \$301,957 is necessary to protect the school district's cash liquidity from July 1, through mid-November of the subsequent fiscal year. This amount is reported as Assigned Fund Balance in the General Fund.

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**10. PRIOR PERIOD ADJUSTMENTS:**

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

Net Positions July 1, 2014 as previously reported	\$ 3,683,808
 Restatement for pension accounting:	
Net pension asset - pension related to deferred outflows of resources	319,270
 <i>Net position July, 2014 as restated</i>	 <u><u>\$ 4,003,078</u></u>

**11. PENSION PLAN:**

**a. 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’s 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.

**b. Benefits Provided:**

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

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2015

11. PENSION PLAN: (continued)

b. Benefits Provided: (continued)

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

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

All benefits except those depending on the Member’s Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

c. Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee’s contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District’s share of contributions to the SDRS for the fiscal years ended June 30, 2015, 2014, and 2013 were \$93,556, \$86,590, and \$88,788, respectively, equal to the required contributions each year.

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

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

Proportionate share of net position restricted for pension benefits	\$ 8,754,043
Less proportionate share of total pension liability	8,159,474
<i>Proportionate share of net pension liability (asset)</i>	\$ 594,569

At June 30 2015, the School District reported a liability (asset) of \$ (594,570) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2014 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School’s share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2014, the School District’s proportion was .0825265%, which is an increase of .0825265% from its proportion measured as of June 30, 2013.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2015

11. PENSION PLAN: (continued)

c. Contributions: (continued)

For the year ended June 30, 2015, the School District recognized pension expense (revenue) of \$(25,114). At June 30, 2015 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Difference between expected and actual experience	\$ 50,309	\$ --
Changes in assumption	388,117	--
Net difference between projected and actual earnings on pension	--	688,612
Changes in proportion and difference between District	--	--
District contributions subsequent to the measurement date	<u>93,556</u>	<u>--</u>
<i>Proportionate share of net pension liability (asset)</i>	<u>\$ 531,982</u>	<u>\$ 688,612</u>

\$93,556 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 of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

<i>Year Ended June 30,</i>	<i>Deferred Inflows of Resources</i>
2016	\$ (47,245)
2017	(47,245)
2018	(47,245)
2019	<u>(108,450)</u>
<b>TOTAL</b>	<u>\$ (250,185)</u>

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2015

11. PENSION PLAN: (continued)

d. Actuarial Assumptions:

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

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

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

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

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

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-term Expected Real Rate of Return</i>
Global equity	64.0%	4.7%
Fixed income	26.0%	1.8%
Real estate	8.0%	5.5%
Cash	<u>2.0%</u>	0.8%
<i>TOTAL</i>	<u><u>100%</u></u>	

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**11. PENSION PLAN: (continued)**

**e. Discount Rate:**

The discount rate used to measure the total pension liability (asset) was 7.25 percent through 2016 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset). (NOTE: If there had been a change in the discount rate since the prior measurement date, the School District should disclose information about that change, as required by paragraph 78a of Statement 68.)

Sensitivity of liability (asset) to changes in the discount rate:

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

	<i>1% Decrease</i>	<i>Current Discount Rate</i>	<i>1% Increase</i>
School District's proportionate share of the net pension liability (asset)	\$ 587,547	\$ (594,570)	\$ (1,558,709)

**f. Pension Plan Fiduciary Net Position:**

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

**g. Payables to the Pension Plan:**

No payables were reported to the defined benefit plan at end of year.

**12. RESTRICTED CASH AND INVESTMENT:**

Assets are restricted for use for a specific purpose through segregation of balances in separate account. As of June 30, 2015, \$198,212 was restricted in the Debt Service Fund for sinking fund requirements in the debt covenants.

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**13. RISK MANAGEMENT:**

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

**Employee Health Insurance** – The School District 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 government 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 plan has no lifetime maximum per person.

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

**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.

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 over the past three years.

**Workers' Compensation** – The School District purchases liability insurance for workers' compensation from a commercial carrier.

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

**14. CONTINGENCY:**

Wessington Springs School District is a member of the South Dakota School District Benefits Fund which has been operating at a deficit for several years. If Wessington Springs School District would leave the fund, they would be liable for their share of the deficit which is potentially a significant amount.

***REQUIRED SUPPLEMENTARY INFORMATION***

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**BUDEGETARY COMPARISON SCHEDULE –**  
**GENERAL FUND – BUDEGETARY BASIS**  
**JUNE 30, 2015**

	<i>BUDGETED AMOUNTS</i>		<i>ACTUAL AMOUNTS</i>	<i>VARIANCE WITH FINAL BUDGET-</i>
	<i>ORIGINAL</i>	<i>FINAL</i>	<i>BASIS</i>	<i>POSITIVE (NEGATIVE)</i>
<b>REVENUES:</b>				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 1,144,000	\$ 1,144,000	\$ 1,222,062	\$ 78,062
Prior years' ad valorem taxes	2,000	2,000	8,814	6,814
Utility taxes	115,000	115,000	193,946	78,946
Penalties and interest on taxes	3,000	3,000	2,832	(168)
<i>Earnings on investments and deposits</i>	1,500	1,500	4,473	2,973
<i>Cocurricular Activities:</i>				
Admissions	15,000	15,000	16,290	1,290
<i>Other Revenue from Local Sources:</i>				
Rentals	200	200	1,120	920
Contributions and donations	--	--	3,995	3,995
Judgments	--	--	200	200
Charges for services	11,000	11,000	4,869	(6,131)
Other	17,000	17,000	19,843	2,843
<i>Revenue from Intermediate Sources:</i>				
<i>County Sources:</i>				
County apportionment	20,000	20,000	35,015	15,015
<i>Revenue in Lieu of Taxes</i>	3,000	3,000	6,264	3,264
<i>Revenue from State Sources:</i>				
<i>Grants-in-Aid:</i>				
Unrestricted grants-in-aid	844,851	844,851	917,038	72,187
<i>Other state revenue</i>	--	--	131	131
<i>Revenue from Federal Sources:</i>				
<i>Grants-in-Aid:</i>				
Restricted grants-in-aid Received from federal government through the state	109,742	109,742	116,019	6,277
<i>Other Federal Revenue</i>	12,394	12,394	2,212	(10,182)
<b>TOTAL REVENUES</b>	<b>2,298,687</b>	<b>2,298,687</b>	<b>2,555,123</b>	<b>256,436</b>

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**BUDEGETARY COMPARISON SCHEDULE –**  
**GENERAL FUND – BUDEGETARY BASIS**  
**JUNE 30, 2015**  
**CONTINUED**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS BUDGETARY BASIS</u>	<u>VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>EXPENDITURES:</b>				
<i>Instruction:</i>				
<i>Regular Programs:</i>				
Elementary	\$ 661,503	\$ 661,503	\$ 612,711	\$ 48,792
Middle school	149,890	149,890	142,646	7,244
High school	449,627	463,812	368,327	95,485
<i>Special Programs:</i>				
Educationally deprived	96,974	100,274	98,343	1,931
<i>Support Services:</i>				
<i>Pupils:</i>				
Guidance	44,955	44,955	42,982	1,973
Health	1,900	1,900	1,216	684
<i>Instructional Staff:</i>				
Improvement of instruction	13,800	13,800	1,059	12,741
Educational media	103,138	103,138	92,615	10,523
<i>General Administration:</i>				
Board of education	54,170	54,170	38,854	15,316
Executive administration	88,150	88,150	85,371	2,779
<i>School Administration:</i>				
Office of the principal	150,832	150,832	138,146	12,686
Other	11,500	11,500	6,468	5,032
<i>Business:</i>				
Fiscal services	99,672	100,672	87,044	13,628
Operation and maintenance of plant	224,066	237,866	203,402	34,464
Pupil transportation	143,392	143,392	115,931	27,461
Food service	10,394	10,394	10,275	119
<i>Nonprogrammed Charges:</i>				
Payments to state-unemployment	3,000	3,000	--	3,000
<i>Cocurricular Activities:</i>				
Combined activities	151,072	151,752	105,752	46,000
<i>Contingencies</i>	100,000	100,000	--	100,000
<b>TOTAL EXPENDITURES</b>	<u>2,558,035</u>	<u>2,591,000</u>	<u>2,151,142</u>	<u>439,858</u>
<i>Excess of Revenue Over (Under) Expenditures</i>	<u>(259,348)</u>	<u>(292,313)</u>	<u>403,981</u>	<u>696,294</u>

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**BUDEGETARY COMPARISON SCHEDULE –**  
**GENERAL FUND – BUDEGETARY BASIS**  
**JUNE 30, 2015**  
**CONTINUED**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS BUDGETARY BASIS</u>	<u>VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<i>OTHER FINANCING SOURCES (USES):</i>				
Transfers in	\$ 3,000	\$ 3,000	\$ 5,706	\$ 2,706
Transfers out	26,967	33,767	(18,289)	15,478
Sale of surplus property	--	--	45	45
Compensation for loss of general capital assets	--	--	22,295	22,295
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(23,967)</u>	<u>(30,767)</u>	<u>9,757</u>	<u>40,524</u>
<i>Net Change in Fund Balances</i>	(283,315)	(323,080)	413,738	736,818
<i>Change in Nonspendables</i>	--	--	5,023	5,023
<i>FUND BALANCE, Beginning of Year</i>	1,176,504	1,176,504	1,176,504	--
<i>FUND BALANCE, End of Year</i>	<u>\$ 893,189</u>	<u>\$ 853,424</u>	<u>\$ 1,595,265</u>	<u>\$ 741,841</u>

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**BUDEGETARY COMPARISON SCHEDULE –**  
**CAPITAL OUTLAY FUND – BUDGETARY BASIS**  
**JUNE 30, 2015**

	<i>BUDGETED AMOUNTS</i>		<i>ACTUAL</i>	<i>VARIANCE WITH</i>
	<i>ORIGINAL</i>	<i>FINAL</i>	<i>BUDGETARY</i>	<i>FINAL BUDGET- POSITIVE (NEGATIVE)</i>
			<i>BASIS</i>	
<b>REVENUES:</b>				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 980,700	\$ 980,700	\$ 993,865	\$ 13,165
Prior years' ad valorem taxes	1,000	1,000	7,177	6,177
Penalties and interest on taxes	--	--	2,397	2,397
<i>Earnings on Investments and Deposits</i>	40,500	40,500	44,730	4,230
<i>Other Revenue from Local Sources:</i>				
Contributions and donations	13,000	13,000	16,216	3,216
Other	--	--	360	360
<i>Revenue from Intermediate Sources:</i>				
Revenue in lieu of taxes	--	--	2,507	2,507
<b>TOTAL REVENUE</b>	<b>1,035,200</b>	<b>1,035,200</b>	<b>1,067,252</b>	<b>32,052</b>
<b>EXPENDITURES:</b>				
<i>Instruction:</i>				
<i>Regular Programs:</i>				
Elementary	87,500	87,500	67,313	20,187
Middle school	71,500	71,500	49,880	21,620
High school	132,000	132,000	111,825	20,175
<i>Support Services:</i>				
<i>Pupils:</i>				
Guidance	600	600	146	454
<i>Instructional Staff:</i>				
Educational media	12,750	12,750	8,920	3,830
<i>General Administration:</i>				
Board of education	24,100	24,100	23,548	552
Executive administration	9,000	9,000	2,606	6,394
<i>School Administration:</i>				
Office of principal	6,000	6,000	1,390	4,610
<i>Business:</i>				
Fiscal services	8,500	8,500	3,671	4,829
Operation and maintenance of plant	1,104,100	1,104,100	775,840	328,260
Pupil transportation	162,700	162,700	54,149	108,551
<i>Debt Services</i>	47,725	47,725	47,725	--
<i>Cocurricular Activities:</i>				
Combined activities	35,900	35,900	22,987	12,913
<b>TOTAL EXPENDITURES</b>	<b>1,702,375</b>	<b>1,702,375</b>	<b>1,170,000</b>	<b>532,375</b>
<i>Excess of Revenue Over (Under) Expenditures</i>	<i>(667,175)</i>	<i>(667,175)</i>	<i>(102,748)</i>	<i>564,427</i>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer out	49,625	49,625	(52,236)	(2,611)
Compensation for loss of general capital assets	470,000	470,000	345,595	(124,405)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>420,375</b>	<b>420,375</b>	<b>293,359</b>	<b>(127,016)</b>
<i>Net Change in Fund Balances</i>	<i>(246,800)</i>	<i>(246,800)</i>	<i>190,611</i>	<i>437,411</i>
<b>FUND BALANCE - Beginning of Year</b>	<b>1,016,245</b>	<b>1,016,245</b>	<b>1,016,245</b>	<b>--</b>
<b>FUND BALANCE - End of Year</b>	<b>\$ 769,445</b>	<b>\$ 769,445</b>	<b>\$ 1,206,856</b>	<b>\$ 437,411</b>

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**BUDEGETARY COMPARISON SCHEDULE –**  
**SPECIAL EDUCATION FUND – BUDGETARY BASIS**  
**JUNE 30, 2015**

	<i>BUDGETED AMOUNTS</i>		<i>ACTUAL AMOUNTS BUDGETARY BASIS</i>	<i>VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)</i>
	<i>ORIGINAL</i>	<i>FINAL</i>		
<b>REVENUES:</b>				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 362,500	\$ 362,500	\$ 401,683	\$ 39,183
Prior years' ad valorem taxes	--	--	2,640	2,640
Penalties and interest on taxes	--	--	894	894
<i>Earnings on Investments and Deposits</i>	--	--	1,921	1,921
<i>Other Revenue from Local Sources:</i>				
Charges for services	1,000	1,000	932	(68)
<i>Revenue from Intermediate Sources:</i>				
Revenue in lieu of taxes	--	--	125	125
<i>Revenue from State Sources:</i>				
Other state revenue	--	--	1,043	1,043
<b>TOTAL REVENUE</b>	<b>363,500</b>	<b>363,500</b>	<b>409,238</b>	<b>45,738</b>
<b>EXPENDITURES:</b>				
<i>Instruction:</i>				
<i>Special Programs:</i>				
Programs for special education	433,689	466,519	368,911	97,608
<i>Support Services:</i>				
<i>Pupils:</i>				
Psychological	12,000	12,600	12,562	38
Speech pathology	13,000	15,500	15,356	144
Audiology	3,000	3,000	--	3,000
Student therapy services	25,000	28,200	16,687	11,513
<i>Special Education:</i>				
Administrative costs	27,812	27,812	14,744	13,068
Transportation costs	4,910	4,910	3,877	1,033
Other costs	--	26,000	19,276	6,724
<b>TOTAL EXPENDITURES</b>	<b>519,411</b>	<b>584,541</b>	<b>451,413</b>	<b>133,128</b>
<i>Excess of Revenue Over ( Under) Expenditures</i>	<b>(155,911)</b>	<b>(221,041)</b>	<b>(42,175)</b>	<b>178,866</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer out	--	--	(1,921)	(1,921)
<i>Net Change in Fund Balances</i>	<b>(155,911)</b>	<b>(221,041)</b>	<b>(44,096)</b>	<b>176,945</b>
<b>FUNDS BALANCE - Beginning of Year</b>	<b>646,603</b>	<b>646,603</b>	<b>646,603</b>	<b>--</b>
<b>FUNDS BALANCE - End of Year</b>	<b>\$ 490,692</b>	<b>\$ 425,562</b>	<b>\$ 602,507</b>	<b>\$ 176,945</b>

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**BUDEGETARY COMPARISON SCHEDULE –**  
**PENSION FUND – BUDGETARY BASIS**  
**JUNE 30, 2015**

	<i>BUDGETED AMOUNTS</i>		<i>ACTUAL AMOUNTS BUDGETARY BASIS</i>	<i>VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)</i>
	<i>ORIGINAL</i>	<i>FINAL</i>		
<b>REVENUES:</b>				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 68,000	\$ 68,000	\$ 69,578	\$ 1,578
Prior years' ad valorem taxes	--	--	504	504
Penalties and interest on taxes	--	--	170	170
<i>Earnings on Investments and Deposits</i>	--	--	372	372
<i>Revenue from Intermediate Sources:</i>				
Revenue in lieu of taxes	--	--	201	201
<b>TOTAL REVENUES</b>	<b>68,000</b>	<b>68,000</b>	<b>70,825</b>	<b>2,825</b>
<b>EXPENDITURES:</b>				
<i>Instruction:</i>				
<i>Regular Programs:</i>				
Elementary	28,750	28,750	26,240	2,510
Middle school	6,600	6,600	6,277	323
High school	13,275	13,275	11,999	1,276
Preschool	1,190	2,010	1,536	474
<i>Special Programs:</i>				
Educationally deprived	4,500	4,500	855	3,645
<i>Support Services:</i>				
<i>Pupils:</i>				
Guidance	2,000	2,000	1,942	58
<i>Instructional Staff:</i>				
Educational media	2,685	2,685	2,417	268
<i>General Administration:</i>				
Executive administration	3,900	3,900	3,707	193
<i>School Administration:</i>				
Office of principal	6,200	6,200	5,912	288
<i>Business:</i>				
Fiscal services	3,225	3,225	3,060	165
Operation and maintenance of plant	5,700	5,700	4,870	830
Transportation	1,550	1,550	1,550	--
<i>Community Services:</i>				
Custody and care of children	565	565	562	3
Other	--	--	--	--
<i>Cocurricular Activities:</i>				
Combined activities	3,900	3,900	2,839	1,061
<b>TOTAL EXPENDITURES</b>	<b>84,040</b>	<b>84,860</b>	<b>73,766</b>	<b>11,094</b>
<i>Excess of Revenue Over (Under) Expenditures</i>	<b>(16,040)</b>	<b>(16,860)</b>	<b>(2,941)</b>	<b>13,919</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	--	--	(372)	(372)
<i>Net Change in Fund Balances</i>	<b>(16,040)</b>	<b>(16,860)</b>	<b>(3,313)</b>	<b>13,547</b>
<b>FUND BALANCE - Beginning of Year</b>	<b>75,911</b>	<b>75,911</b>	<b>75,911</b>	<b>--</b>
<b>FUND BALANCE - End of Year</b>	<b>\$ 59,871</b>	<b>\$ 59,051</b>	<b>\$ 72,598</b>	<b>\$ 13,547</b>

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE LIABILITY (ASSET)**  
**SOUTH DAKOTA RETIREMENT SYSTEM**  
**JUNE 30, 2015**

		<i>2015</i>
<b>District's proportion of the net pension liability (asset)</b>		<b>0.0825265%</b>
<b>District's proportionate share of net pension liability (asset)</b>	<b>\$</b>	<b>(594,570)</b>
<b>District's covered-employee payroll</b>	<b>\$</b>	<b>1,443,167</b>
<b>District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll</b>		<b>-41.20%</b>
<b>Plan fiduciary net position as a percentage of the total pension liability (asset)</b>		<b>107%</b>

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS**  
**SOUTH DAKOTA RETIREMENT SYSTEM**  
**JUNE 30, 2015**

	<i>2014</i>	<i>2015</i>
<b>Contractually required contribution</b>	<b>\$ 86,590</b>	<b>\$ 93,556</b>
<b>Contributions in relation to the contractually required contribution</b>	<u><b>86,590</b></u>	<u><b>93,556</b></u>
<b>Contribution deficiency (excess)</b>	<u><u><b>\$ --</b></u></u>	<u><u><b>\$ --</b></u></u>
<b>District's covered-employee payroll</b>	<b>\$ 1,443,167</b>	<b>\$ 1,559,267</b>
<b>Contributions as a percentage of covered-employee payroll</b>	<b>6.00%</b>	<b>6.00%</b>

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2015**

**1. BASIS OF PRESENTATION:**

The financial statements prepared in conformity with accounting principles generally accepted in the United States of America present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the budgetary Required Supplementary Information Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.

**2. BUDGETS AND BUDGETARY ACCOUNTING:**

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

- a. Prior to the first regular board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year. The proposed budget is published for public review no later than July 15 each year. Public hearings are held to solicit taxpayer input prior to the approval of the budget. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
- b. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted except as indicated in Item (d).
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total School District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
- d. 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.
- e. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds.

No encumbrances were outstanding at June 30, 2015.

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2015**

**2. BUDGETS AND BUDGETARY ACCOUNTING: (continued)**

- f. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.**
- g. Budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).**