

**WESSINGTON SPRINGS
SCHOOL DISTRICT NO. 36-2
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2016**

*WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2016*

Board Members:

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

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, 2016, 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 January 5, 2017.

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 2016-01 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.

Handwritten signature in cursive script that reads "CLO Prof LLC".

Huron, South Dakota
January 5, 2017

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016**

PRIOR AUDIT FINDING

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. This finding has not been corrected and is being restated as current audit finding number 2016-01.

CURRENT AUDIT FINDING

Finding Number 2016-01:

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

Internal Control – Related Finding – Significant Deficiency:

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, 2016, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the *Comptroller General of the United States*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (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 January 5, 2017 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
January 5, 2017

*WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016*

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, 2016. 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 \$4,474,522 generated from taxes and other revenues of the governmental and business-type programs were \$654,680 more than the \$3,819,842 in governmental and business-type program expenditures.
- The total cost of the School's programs increased by approximately 3.8% which was primarily due to insurance deficit payments and double payment of insurance in June to avoid catastrophic events with our tail insurance.

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, 2016**

Figure A-1

Major Features of Wessington Springs School's Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	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.
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows	*Statement of Fiduciary Net Position *Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	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
Type of Inflow/Outflow Information	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	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, 2016

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 as well as fees for preschool, drivers ed and PASS (After School Program). 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.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016

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 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.
- **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.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016

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 2015-2016</i>
	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	
Current and Other Assets	\$ 5,821,646	\$ 6,263,381	\$ 38,879	\$ 48,665	\$ 5,860,525	\$ 6,312,046	7.70%
Capital Assets (Net of Depreciation)	1,314,598	1,255,068	--	--	1,314,598	1,255,068	-4.53%
Total Assets	7,136,244	7,518,449	38,879	48,665	7,175,123	7,567,114	5.46%
Pension Related Deferred Outflows	531,982	678,442	--	--	531,982	678,442	27.53%
Total Deferred Outflows of Resources	531,982	678,442	--	--	531,982	678,442	27.53%
Long-Term Liabilities Outstanding	849,038	850,168	--	--	849,038	850,168	0.13%
Other Liabilities	247,802	247,867	19,052	16,113	266,854	263,980	-1.08%
Total Liabilities	1,096,840	1,098,035	19,052	16,113	1,115,892	1,114,148	-0.16%
Taxes Levied for Future Period	1,298,315	1,328,656	--	--	1,298,315	1,328,656	2.34%
Pension Related Deferred Inflows	688,612	543,786	--	--	688,612	543,786	-21.03%
Total Deferred Inflows of Resources	1,986,927	1,872,442	--	--	1,986,927	1,872,442	-5.76%
Net Position							
Net Investment in Capital Assets	1,314,598	1,255,068	--	--	1,314,598	1,255,068	-4.53%
Restricted	1,687,083	3,326,759	--	--	1,687,083	3,326,759	97.19%
Unrestricted	1,582,778	644,587	19,827	32,552	1,602,605	677,139	-57.75%
Total Net Position	4,584,459	5,226,414	19,827	32,552	4,604,286	5,258,966	14.22%
Beginning Net Position	4,003,078	4,584,459	35,886	19,827	4,038,964	4,604,286	14.00%
Increase (Decrease) in Net Position	\$ 581,381	\$ 641,955	\$ (16,059)	\$ 12,725	\$ 565,322	\$ 654,680	15.81%
Percentage of Increase (Decrease) in Net Position	14.52%	14.00%	-44.75%	64.18%	14.00%	14.22%	

The District's combined net position of approximately \$5.2 million is \$654,680 or 14% larger than on June 30, 2015. 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. Current assets increased 7.7% or about \$451,521 and capital assets decreased about 4.53% or \$59,530 was due to limited purchases and increased accumulated depreciation. Net Pension Asset is also included and is because of GASB 68 accounting which accounts for \$362,230 of the change.

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.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016

Changes in Net Position

The District's revenues (excluding transfers) totaled \$4,474,522 (See Table A-4). This was an increase of approximately 5.4%. Approximately 67% of the District's revenue comes from property and other taxes, with another 22% from state aid (increase of 20 students), 2.3% for charges of services, 5.3% from grants and 2.4% from increase in county apportionment and miscellaneous revenue due to receiving more in computer insurance. (See Table A-2.)

Table A-2
Wessington Springs School District No. 36-2
Sources of Revenues
Fiscal Year 2015-2016

Taxes	\$ 2,976,275	66.52%
State sources	996,241	22.26%
Operating grants & contributions	238,709	5.33%
Charges for services	102,958	2.30%
Other revenues	106,974	2.39%
Unrestricted investment earnings	<u>53,365</u>	<u>1.20%</u>
<i>Total Revenue</i>	<u>\$ 4,474,522</u>	<u>100.00%</u>

Total costs of all programs and service increased by approximately 3.8%. The District's expenses totaled \$3,819,842. (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 salary increases and the insurance deficit payment.

Table A-3
Wessington Springs School District No. 36-2
Statement of Expenditures
Fiscal Year 2015-2016

Instruction	\$ 2,012,714	52.69%
Support services	1,370,218	35.87%
Food service	184,681	4.83%
Cocurricular activities	170,897	4.47%
Interest on long-term debt	48,525	1.31%
Preschool program	22,063	0.57%
PASS program	7,967	0.20%
Drivers' education	<u>2,777</u>	<u>0.06%</u>
<i>Total Expenditures</i>	<u>\$ 3,819,842</u>	<u>100.00%</u>

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016

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</i>
	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>Percentage Change 2015-2016</i>
Revenues							
Program Revenues							
Charges for Services	\$ 22,091	\$ 21,544	\$ 77,476	\$ 81,414	\$ 99,567	\$ 102,958	3.41%
Operating Grants and Contributions	118,231	111,926	105,154	124,628	223,385	236,554	5.90%
General Revenues							
Taxes	2,838,498	2,976,275	--	--	2,838,498	2,976,275	4.85%
Revenue State Sources	917,169	996,241	924	2,155	918,093	998,396	8.75%
Unrestricted Investment Earnings	53,603	53,349	18	16	53,621	53,365	-0.48%
Other General Revenues	112,048	106,974	--	--	112,048	106,974	-4.53%
Total Revenues	4,061,640	4,266,309	183,572	208,213	4,245,212	4,474,522	5.40%
Expenses							
Instruction	1,839,062	2,012,714	--	--	1,839,062	2,012,714	9.44%
Support Services	1,429,224	1,370,218	--	--	1,429,224	1,370,218	-4.13%
Community Services	562	--	--	--	562	--	-100.00%
Interest on Long Term Debt	48,525	48,525	--	--	48,525	48,525	0.00%
Cocurricular Activities	144,597	170,897	--	--	144,597	170,897	18.19%
Food Service	--	--	171,170	184,681	171,170	184,681	7.89%
Other Enterprise Activity	--	--	46,750	32,807	46,750	32,807	-29.82%
Total Expenses	3,461,970	3,602,354	217,920	217,488	3,679,890	3,819,842	3.80%
Excess (Deficiency) Before Transfers	599,670	663,955	(34,348)	(9,275)	565,322	654,680	15.81%
Transfers	(18,289)	(22,000)	18,289	22,000	--	--	0.00%
Increase (Decrease) in Net Position	581,381	641,955	(16,059)	12,725	565,322	654,680	15.81%
Beginning Net Position	4,003,078	4,584,459	35,886	19,827	4,038,964	4,604,286	14.00%
Ending Net Position	\$ 4,584,459	\$ 5,226,414	\$ 19,827	\$ 32,552	\$ 4,604,286	\$ 5,258,966	14.22%

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016**

GOVERNMENTAL ACTIVITIES

Revenues for the School's governmental activities increased approximately 5.0% 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, added grade school basketball coaches and the deficit payment to get out of the South Dakota School District Benefit Fund insurance pool. Capital Outlay expenditures decreased due to less expenditures and moving allowable expenses to General Fund to work towards the required FY18 General Fund cash cap of 30%. Very little was spent from Pension Fund also because of this pending cap requirement.

BUSINESS-TYPE ACTIVITIES

Net position of the School's business-type activities increased approximately \$12,700 or 64%. Most of this is due to more school lunch grant money and more money transferred in FY16 than FY15 as well as lower costs in PASS and preschool due to personnel changes and reducing number of days PASS is offered.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The Capital Outlay, Special Education, Pension and Debt Service funds all had increases in fund balances. General Fund's decrease mainly was due to the new FY18 30% cash balance cap. Capital Outlay balance increased due to expenditures being moved to General Fund that are allowed. 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 increase in property tax valuations as levy stayed the same. Pension Fund increased due to very little spending in that fund.

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:

- Several supplemental appropriations were approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district. The largest supplement was \$357,154 for expenditures coming back to General Fund for pension, small equipment, fuel oil, propane, and gas to help with the FY18 cash balance cap and to put the deficit insurance obligation payments in the correct object code of 659 in the respective function and account.
- The school did not initiate any contingency transfers in FY16.

Other than the above referenced supplement, other budget changes for the year were 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, 2016**

CAPITAL ASSET ADMINISTRATION

By the end of 2016, the School had invested \$1,255,068 (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 (phone system, used car, commercial AC unit for server room, broom for Bobcat, and library books) 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>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015-2016</i>	<i>2015-2016</i>
Land	\$ 14,500	\$ 14,500	\$ --	\$ --	\$ --	0.00%
Buildings	815,743	768,294	--	--	(47,449)	-5.82%
Improvements Other Than Buildings	20,871	15,841	--	--	(5,030)	-24.10%
Machinery and Equipment	463,484	456,433	--	--	(7,051)	-1.52%
Total Capital Assets (Net)	<u>\$ 1,314,598</u>	<u>\$ 1,255,068</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (59,530)</u>	<u>-4.53%</u>

This year's capital asset purchases of \$60,443 were a phone system, used car, commercial AC unit for server room, broom for Bobcat, and library books. Total depreciation on assets was \$117,527.

LONG-TERM DEBT

At year-end the School had \$850,168 in general long term obligations. This balance includes Qualified Zone Construction Bonds payable and accrued sick leave payable. The increase is due to an increase in accrued leave liability. 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>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015-2016</i>	<i>2015-2016</i>
Qualified Zone Construction Bonds	\$ 830,000	\$ 830,000	\$ --	\$ --	\$ --	0.00%
Compensated Absences	19,038	20,168	--	--	1,130	5.94%
Total Outstanding Debt and Obligations	<u>\$ 849,038</u>	<u>\$ 850,168</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,130</u>	<u>0.13%</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. Qualifying employees get paid \$10/day for sick leave balance is they are no longer employees of 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, 2016**

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 the flexibility to spend Capital Outlay dollars. The General Fund is being increased purposely in preparation for the sunset of SB 111 in 2018. It becomes increasingly harder to plan for the future as legislation changes our funding. Because of the need to have used Capital Outlay funds and then have to decrease our General Fund budget, it is very difficult to compare year to year to neighboring schools within the next 10 years. At the very least, we will need to find ways to share staff as it gets harder and harder to find quality staff.

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 FY16, the state aid formula for the current year ensures that property taxes plus state aid will equal \$4,876.76 plus \$553.02 small school adjustment per pupil, which is \$53.24 over FY15 total per pupil. 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>
2016	339	5.60%
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%

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, 2016

	<i>PRIMARY GOVERNMENT</i>		
	<i>GOVERNMENTAL</i>	<i>BUSINESS-TYPE</i>	<i>TOTAL</i>
	<i>ACTIVITIES</i>	<i>ACTIVITIES</i>	
ASSETS:			
Cash and cash equivalents	\$ 4,155,028	\$ 40,590	\$ 4,195,618
Incidental imprest account	1,000	-	1,000
Taxes receivable	1,343,653	-	1,343,653
Inventories	9,241	5,978	15,219
Other assets	142,430	2,097	144,527
Restricted assets:			
Cash and cash equivalents	249,799	-	249,799
Net pension asset	362,230	-	362,230
Capital assets:			
Land	14,500	-	14,500
Other capital assets, net of depreciation	1,240,568	-	1,240,568
TOTAL ASSETS	7,518,449	48,665	7,567,114
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	678,442	-	678,442
TOTAL DEFERRED OUTFLOWS OF RESOURCES	678,442	-	678,442
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	8,196,891	48,665	8,245,556
LIABILITIES:			
Accounts payable	7,172	54	7,226
Other current liabilities	240,695	16,059	256,754
Noncurrent liabilities:			
Due within one year	1,000	-	1,000
Due in more than one year	849,168	-	849,168
TOTAL LIABILITIES	1,098,035	16,113	1,114,148
DEFERRED INFLOWS OF RESOURCES:			
Taxes levied for future period	1,328,656	-	1,328,656
Pension related deferred inflows	543,786	-	543,786
TOTAL DEFERRED INFLOWS OF RESOURCES	1,872,442	-	1,872,442
NET POSITION:			
Net investment in capital assets	1,255,068	-	1,255,068
Restricted for:			
Capital outlay	1,827,016	-	1,827,016
Special education	608,057	-	608,057
Pension	145,001	-	145,001
Debt service	249,799	-	249,799
SDRS pension purposes	496,886	-	496,886
Unrestricted	644,587	32,552	677,139
TOTAL NET POSITION	\$ 5,226,414	\$ 32,552	\$ 5,258,966

*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, 2016

FUNCTIONS / PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
				GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
<i>Primary Government:</i>						
<i>Governmental Activities:</i>						
Instruction	\$ 2,012,714	\$ 4,073	\$ 111,926	\$ (1,896,715)	\$ --	\$ (1,896,715)
Support services	1,370,218	--	--	(1,370,218)	--	(1,370,218)
Interest expense	48,525	--	--	(48,525)	--	(48,525)
Cocurricular activities	170,897	17,471	--	(153,426)	--	(153,426)
<i>Total Governmental Activities</i>	<u>3,602,354</u>	<u>21,544</u>	<u>111,926</u>	<u>(3,468,884)</u>	<u>--</u>	<u>(3,468,884)</u>
<i>Business-Type Activities</i>						
Food service	184,681	58,527	124,628	--	(1,526)	(1,526)
Drivers education	2,777	3,450	--	--	673	673
PASS program	7,967	8,179	--	--	212	212
Preschool program	22,063	11,258	--	--	(10,805)	(10,805)
<i>Total Business-type Activities</i>	<u>217,488</u>	<u>81,414</u>	<u>124,628</u>	<u>--</u>	<u>(11,446)</u>	<u>(11,446)</u>
<i>Total Primary Government</i>	<u>\$ 3,819,842</u>	<u>\$ 102,958</u>	<u>\$ 236,554</u>	<u>(3,468,884)</u>	<u>(11,446)</u>	<u>(3,480,330)</u>
<i>GENERAL REVENUES:</i>						
<i>Taxes:</i>						
Property taxes				2,870,611	--	2,870,611
Utility taxes				105,664	--	105,664
<i>Revenue from state sources:</i>						
State aid				996,241	2,155	998,396
Unrestricted investment earnings				53,349	16	53,365
Other general revenues				106,974	--	106,974
Transfers				(22,000)	22,000	--
<i>Total General Revenues and Transfers</i>				<u>4,110,839</u>	<u>24,171</u>	<u>4,135,010</u>
Change in Net Position				<u>641,955</u>	<u>12,725</u>	<u>654,680</u>
<i>NET POSITION, Beginning of Year</i>				<u>4,584,459</u>	<u>19,827</u>	<u>4,604,286</u>
<i>NET POSITION, End of Year</i>				<u>\$ 5,226,414</u>	<u>\$ 32,552</u>	<u>\$ 5,258,966</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, 2016

	<i>GENERAL FUND</i>	<i>CAPITAL OUTLAY FUND</i>	<i>SPECIAL EDUCATION FUND</i>	<i>PENSION FUND</i>	<i>DEBT SERVICE FUND</i>	<i>TOTAL GOVERNMENTAL FUNDS</i>
ASSETS:						
Cash and cash equivalents	\$ 1,556,725	\$ 1,812,410	\$ 642,797	\$ 143,096	\$ --	\$ 4,155,028
Taxes receivable--current	599,359	461,898	235,034	32,365	--	1,328,656
Taxes receivable--delinquent	8,606	4,142	1,905	344	--	14,997
Accounts receivable	198	6,000	--	--	--	6,198
Due from other government	136,232	--	--	--	--	136,232
Inventory of supplies	9,241	--	--	--	--	9,241
Advance payments	1,000	--	--	--	--	1,000
Restricted cash	--	--	--	--	249,799	249,799
TOTAL ASSETS	\$ 2,311,361	\$ 2,284,450	\$ 879,736	\$ 175,805	\$ 249,799	\$ 5,901,151
LIABILITIES AND FUND BALANCES:						
<i>Liabilities:</i>						
Accounts payable	\$ 2,101	\$ --	\$ 5,071	\$ --	\$ --	\$ 7,172
Contracts payable	149,976	--	22,558	--	--	172,534
Payroll deductions and withholding and employer matching payable	61,655	--	6,506	--	--	68,161
Total Liabilities	213,732	--	34,135	--	--	247,867
<i>Deferred Inflows of Resources:</i>						
Taxes levied for a future period	599,359	461,898	235,034	32,365	--	1,328,656
Unavailable revenue--property taxes	8,606	4,142	1,905	344	--	14,997
Total Deferred Inflows of Resources	607,965	466,040	236,939	32,709	--	1,343,653
<i>Fund Balances:</i>						
<i>Nonspendable</i>	9,241	--	--	--	--	9,241
<i>Restricted:</i>						
Capital outlay fund	--	1,818,410	--	--	--	1,818,410
Special education fund	--	--	608,662	--	--	608,662
Pension fund	--	--	--	143,096	--	143,096
Debt service requirements	--	--	--	--	249,799	249,799
<i>Assigned</i>	915,937	--	--	--	--	915,937
<i>Unassigned</i>	564,486	--	--	--	--	564,486
Total Fund Balances	1,489,664	1,818,410	608,662	143,096	249,799	4,309,631
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 2,311,361	\$ 2,284,450	\$ 879,736	\$ 175,805	\$ 249,799	\$ 5,901,151

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, 2016**

Total Fund Balances - Governmental Funds		\$ 4,309,631
Amounts reported for governmental activities in the statement of net position are different because:		
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		362,230
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	\$ 3,862,640 <u>(2,607,572)</u> 1,255,068
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.		678,442
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>(20,168)</u> (850,168)
Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.	Delinquent Taxes	14,997
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.		<u>(543,786)</u>
Net Position-Governmental Funds		<u>\$ 5,226,414</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, 2016

	<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>
REVENUES						
<i>Revenue from Local Sources:</i>						
<i>Taxes:</i>						
Ad valorem taxes	\$ 1,285,473	\$ 1,006,743	\$ 477,313	\$ 70,581	\$ --	\$ 2,840,110
Prior years' ad valorem taxes	6,386	4,814	2,021	284	--	13,505
Utility taxes	105,664	--	--	--	--	105,664
Penalties and interest on taxes	3,460	2,703	1,168	189	--	7,520
Earnings on investments and deposits	4,006	44,414	1,855	311	2,763	53,349
<i>Cocurricular Activities:</i>						
Admissions	17,471	--	--	--	--	17,471
<i>Other revenue from local sources:</i>						
Rentals	780	--	--	--	--	780
Contributions and donations	7,192	15,750	--	--	--	22,942
Judgments	1,306	--	--	--	--	1,306
Charges for services	3,346	--	727	--	--	4,073
Other	23,344	--	--	--	--	23,344
<i>Revenue from Intermediate Sources:</i>						
<i>County Sources:</i>						
County apportionment	34,738	--	--	--	--	34,738
Revenue in lieu of taxes	3,038	581	252	41	--	3,912
<i>Revenue from State Sources:</i>						
<i>Grants-in-Aid:</i>						
Unrestricted grants-in-aid	996,241	--	--	--	--	996,241
Other state revenue	1,500	--	--	--	--	1,500
<i>Revenue from Federal Sources:</i>						
<i>Grants-in-Aid:</i>						
Restricted grants-in-aid received from Federal government through the state	106,092	--	--	--	--	106,092
Other Federal Revenue	5,834	--	--	--	--	5,834
TOTAL REVENUES	2,605,871	1,075,005	483,336	71,406	2,763	4,238,381

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, 2016
CONTINUED

	GENERAL FUND	CAPITAL OUTLAY FUND	SPECIAL EDUCATION FUND	PENSION FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
EXPENDITURES						
<i>Instruction:</i>						
<i>Regular Programs:</i>						
Elementary	\$ 723,673	\$ 133,411	\$ --	\$ --	\$ --	\$ 857,084
Middle school	153,142	18,322	--	--	--	171,464
High school	418,187	60,108	--	--	--	478,295
Preschool services	--	--	--	908	--	908
<i>Special Programs:</i>						
Programs for special education	--	--	401,265	--	--	401,265
Educationally deprived	104,510	--	--	--	--	104,510
<i>Support Services:</i>						
<i>Pupils:</i>						
Guidance	48,102	--	--	--	--	48,102
Health	932	--	--	--	--	932
Psychological	--	--	13,409	--	--	13,409
Speech pathology	--	--	11,891	--	--	11,891
Student therapy services	--	--	17,977	--	--	17,977
<i>Instructional Staff:</i>						
Improvement of instruction	76,649	--	--	--	--	76,649
Educational media	113,264	6,600	--	--	--	119,864
<i>General Administration:</i>						
Board of education	69,432	--	--	--	--	69,432
Executive administration	104,105	155	--	--	--	104,260
<i>School Administration:</i>						
Office of the principal	150,970	277	--	--	--	151,247
Title I Program Administration	1,494	--	--	--	--	1,494
Other	11,139	--	--	--	--	11,139
<i>Business:</i>						
Fiscal services	107,267	1,091	--	--	--	108,358
Operation and maintenance of plant	324,229	58,616	--	--	--	382,845
Pupil transportation	136,493	21,452	--	--	--	157,945
Food service	3,303	--	--	--	--	3,303
<i>Special Education:</i>						
Administrative costs	--	--	7,776	--	--	7,776
Transportation costs	--	--	4,970	--	--	4,970
Other	--	--	19,893	--	--	19,893
Debt Services	--	47,725	--	--	800	48,525
<i>Cocurricular Activities:</i>						
Combined activities	135,695	21,192	--	--	--	156,887
Capital Outlay	1,263	59,180	--	--	--	60,443
TOTAL EXPENDITURES	2,683,849	428,129	477,181	908	800	3,590,867
<i>Excess of Revenue Over (Under)</i>						
Expenditures	(77,978)	646,876	6,155	70,498	1,963	647,514

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, 2016
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	\$ --	\$ --	\$ --	\$ --	\$ 49,624	\$ 49,624
Transfer out	(22,000)	(49,624)	--	--	--	(71,624)
Sale of surplus property	638	501	--	--	--	1,139
Compensation for loss of general capital assets	3,512	13,801	--	--	--	17,313
TOTAL OTHER FINANCING SOURCES (USES)	<u>(17,850)</u>	<u>(35,322)</u>	<u>--</u>	<u>--</u>	<u>49,624</u>	<u>(3,548)</u>
<i>Net Change in Fund Balances</i>	(95,828)	611,554	6,155	70,498	51,587	643,966
<i>Changes in Nonspendable</i>	(9,773)	--	--	--	--	(9,773)
<i>FUND BALANCE - Beginning of Year</i>	1,595,265	1,206,856	602,507	72,598	198,212	3,675,438
<i>FUND BALANCE - End of Year</i>	<u>\$ 1,489,664</u>	<u>\$ 1,818,410</u>	<u>\$ 608,662</u>	<u>\$ 143,096</u>	<u>\$ 249,799</u>	<u>\$ 4,309,631</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, 2016**

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$	643,966
 Amounts reported for governmental activities in the Statement of Activities are different because:		
 This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.		
		60,443
 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.		
		(119,973)
 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".		
		9,476
 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		(1,130)
 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.		
		(9,773)
 Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.		
		58,946
 <i>Change in Net Position of Governmental Funds</i>		 \$ 641,955

*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, 2016

	<i>ENTERPRISE FUNDS</i>		
	<i>FOOD SERVICE FUND</i>	<i>OTHER ENTERPRISE FUNDS</i>	<i>TOTAL</i>
ASSETS:			
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 25,053	\$ 15,537	\$ 40,590
Accounts receivable, net	–	2,097	2,097
Inventory of supplies	799	–	799
Inventory of stores purchased for resale	2,064	–	2,064
Inventory of donated food	3,115	–	3,115
<i>Total Current Assets</i>	<u>31,031</u>	<u>17,634</u>	<u>48,665</u>
<i>Capital Assets:</i>			
Machinery and equipment–local funds	14,140	–	14,140
Accumulated depreciation	<u>(14,140)</u>	<u>–</u>	<u>(14,140)</u>
<i>Capital Assets - Net</i>	<u>–</u>	<u>–</u>	<u>–</u>
TOTAL ASSETS	<u>\$ 31,031</u>	<u>\$ 17,634</u>	<u>\$ 48,665</u>
LIABILITIES AND NET POSITION:			
<i>Liabilities:</i>			
<i>Current Liabilities:</i>			
Accounts payable	\$ –	\$ 54	\$ 54
Contracts payable	180	5,315	5,495
Payroll deductions and withholdings and employer matching payable	3,660	1,199	4,859
Unearned revenue	<u>5,705</u>	<u>–</u>	<u>5,705</u>
<i>Total Current Liabilities</i>	<u>9,545</u>	<u>6,568</u>	<u>16,113</u>
<i>Net Position:</i>			
Unrestricted net position	<u>21,486</u>	<u>11,066</u>	<u>32,552</u>
<i>Total Net Position</i>	<u>21,486</u>	<u>11,066</u>	<u>32,552</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 31,031</u>	<u>\$ 17,634</u>	<u>\$ 48,665</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, 2016

	ENTERPRISE FUNDS		
	FOOD SERVICE FUND	OTHER ENTERPRISE FUNDS	TOTAL
OPERATING REVENUES:			
<i>Sales:</i>			
To pupils	\$ 55,569	\$ --	\$ 55,569
To adults	2,201	--	2,201
Miscellaneous	757	--	757
Other charges for goods and services	--	22,887	22,887
<i>Total Operating Revenue</i>	<u>58,527</u>	<u>22,887</u>	<u>81,414</u>
OPERATING EXPENSES:			
Salaries	40,591	26,175	66,766
Employee benefits	25,459	5,703	31,162
Purchased services	30,575	215	30,790
Supplies	13,694	484	14,178
Cost of Sales - purchased food	51,577	--	51,577
Cost of Sales - donated food	13,654	--	13,654
Miscellaneous	9,131	230	9,361
<i>Total Operating Expenses</i>	<u>184,681</u>	<u>32,807</u>	<u>217,488</u>
<i>Operating Loss</i>	<u>(126,154)</u>	<u>(9,920)</u>	<u>(136,074)</u>
NONOPERATING REVENUES:			
Investment earnings	16	--	16
<i>State Sources:</i>			
Cash reimbursements	2,155	--	2,155
<i>Federal Sources:</i>			
Cash reimbursements	110,318	--	110,318
Donated food	14,310	--	14,310
<i>Total Nonoperating Revenue</i>	<u>126,799</u>	<u>--</u>	<u>126,799</u>
<i>Transfers In</i>	<u>--</u>	<u>22,000</u>	<u>22,000</u>
<i>Change in Net Position</i>	645	12,080	12,725
<i>NET POSITION, Beginning of Year</i>	<u>20,841</u>	<u>(1,014)</u>	<u>19,827</u>
<i>NET POSITION, End of Year</i>	<u>\$ 21,486</u>	<u>\$ 11,066</u>	<u>\$ 32,552</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, 2016

	<i>ENTERPRISE FUNDS</i>		
	<i>FOOD SERVICE FUND</i>	<i>OTHER ENTERPRISE FUND</i>	<i>TOTAL</i>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 60,263	\$ 21,395	\$ 81,658
Payments to suppliers	(107,456)	(875)	(108,331)
Payments to employees	(66,024)	(34,842)	(100,866)
NET CASH USED BY OPERATING ACTIVITIES	(113,217)	(14,322)	(127,539)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Investment earnings	16	--	16
Transfer from general fund	--	22,000	22,000
Cash reimbursements - state	2,155	--	2,155
Cash reimbursements - federal	110,318	--	110,318
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	112,489	22,000	134,489
NET INCREASE IN CASH AND CASH EQUIVALENTS	(728)	7,678	6,950
CASH AND CASH EQUIVALENTS, Beginning of Year	25,781	7,859	33,640
CASH AND CASH EQUIVALENTS, End of Year	\$ 25,053	\$ 15,537	\$ 40,590
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
<i>Operating Loss</i>	\$ (126,154)	\$ (9,920)	\$ (136,074)
<i>Adjustments to reconcile operating loss to net cash used by operating activities:</i>			
Noncash cost of sales-commodities	13,654	--	13,654
<i>Change in Assets and Liabilities:</i>			
Accounts receivable	--	(1,492)	(1,492)
Inventories	(688)	--	(688)
Accounts payable	(1,791)	54	(1,737)
Payroll payable	26	(2,964)	(2,938)
Unearned revenue	1,736	--	1,736
NET CASH USED BY OPERATING ACTIVITIES	\$ (113,217)	\$ (14,322)	\$ (127,539)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Value of commodities received	\$ 14,310	\$ --	\$ 14,310

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, 2016

	<i>PRIVATE-PURPOSE FUND</i>	<i>AGENCY FUNDS</i>
ASSETS:		
Cash and cash equivalents	\$ 500	\$ 46,827
TOTAL ASSETS	500	46,827
LIABILITIES:		
Amounts held for others	--	46,827
NET POSITION:		
Held in Trust for Scholarships	\$ 500	\$ --

*The accompanying Notes to Financial Statements are
an integral part of these financial statements.*

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2016

	<i>Private-Purpose Trust Funds</i>
ADDITIONS:	
Other Additions	\$ 2,200
DEDUCTIONS:	
Trust Deductions for Scholarships	1,700
<i>Change in Net Position</i>	500
<i>NET POSITION, Beginning of Year</i>	--
<i>NET POSITION, End of Year</i>	\$ 500

*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, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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.

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.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

b. Basis of Presentation: (continued)

Fund Financial Statements:

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

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.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

b. Basis of Presentation: (continued)

Fund Financial Statements: (continued)

Governmental Funds: (continued)

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.

- 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.)**

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

b. Basis of Presentation: (continued)

Fund Financial Statements: (continued)

Proprietary Funds: (continued)

- 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:

Private-Purpose Trust Funds – Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains the Scholarship Fund as its only private-purpose trust fund which is used to administer scholarships for students. This fund is financed through contributions and interest.

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, 2016

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, 2016 are donations, telephone and electric utility tax, 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.

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.

*WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016*

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

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 \$9,200 in governmental activity inventories as of June 30, 2016.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016 balance of capital assets for governmental activities and business-type activities are all valued at original cost.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ --	-- *	--
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.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

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.

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.

*WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016*

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

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.

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.”

*WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016*

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

n. *Equity Classifications: (continued)*

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.

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.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

p. ***Fund Balance Classification Policies and Procedures: (continued)***

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:

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

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

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016 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.

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.

*WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016*

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

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, 2016

4. CHANGES IN CAPITAL ASSETS:

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

<i>PRIMARY GOVERNMENT:</i>	<i>Balance 7/01/15</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance 6/30/16</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	1,158,958	60,443	2,446	1,216,955
<i>Total, being depreciated</i>	<u>3,790,143</u>	<u>60,443</u>	<u>2,446</u>	<u>3,848,140</u>
<i>Less accumulated depreciation for:</i>				
Buildings	1,503,939	47,450	--	1,551,389
Improvements other than building	290,632	5,029	--	295,661
Machinery and equipment	695,474	67,494	2,446	760,522
<i>Total accumulated depreciation</i>	<u>2,490,045</u>	<u>119,973</u>	<u>2,446</u>	<u>2,607,572</u>
<i>Total capital assets being depreciated, net</i>	<u>1,300,098</u>	<u>(59,530)</u>	<u>--</u>	<u>1,240,568</u>
<i>Governmental activity capital assets, net</i>	<u>\$ 1,314,598</u>	<u>\$ (59,530)</u>	<u>\$ --</u>	<u>\$ 1,255,068</u>
<i>Component Unit Capital Assets Net</i>	<u>\$ 1,314,598</u>	<u>\$ (59,530)</u>	<u>\$ --</u>	<u>\$ 1,255,068</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 37,326
Support Services	66,599
Cocurricular Activities	<u>16,048</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 119,973</u>

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

4. CHANGES IN CAPITAL ASSETS: (continued)

	<u>Balance</u> <u>7/1/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/16</u>
BUSINESS-TYPE ACTIVITIES:				
<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</u> <u>7/1/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/16</u>	<u>Due Within</u> <u>One Year</u>
<i>Governmental Activities:</i>					
Qualified School Construction Bonds	\$ 830,000	\$ --	\$ --	\$ 830,000	\$ --
Compensated Absences	18,486	3,067	1,385	20,168	1,000
<i>Total Debt</i>	<u>\$ 848,486</u>	<u>\$ 3,067</u>	<u>\$ 1,385</u>	<u>\$ 850,168</u>	<u>\$ 1,000</u>

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

Debt payable at June 30, 2016 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 the bonds.

\$ 830,000

Compensated Absences

\$ 20,168

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

5. LONG-TERM LIABILITIES: (continued)

The annual requirements to amortize the Qualified School Construction Bonds outstanding at June 30, 2016, are as follows:

Qualified School Construction Bonds

		<u>Principal</u>		<u>Interest</u>
2017	\$	--	\$	47,725
2018		--		47,725
2019		--		47,725
2020		--		47,725
2021		--		47,725
2022-2026		--		238,625
2027-2028		830,000		71,587
	\$	<u>830,000</u>	\$	<u>548,837</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. Although the five-year agreement matured on June 30, 2015, the school and the colony have been honoring an oral agreement for the same lease amount to be paid every year. 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, 2015 through November 30, 2016 with the payments per month at \$700 for the lease of half of a building to house school busses in. Payments are made from the Capital Outlay Fund.

The following are the minimum payments on existing operating leases:

	<i>Spring Valley School</i>	<i>Copier</i>	<i>Bus Garage</i>	<i>Total</i>
2017	\$ 7,500	\$ 546	\$ 3,500	\$ 11,546

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

7. INTERFUND ACTIVITY:

Transfers to/from other funds at June 30, 2016, consist of the followings:

	Transfers from General Fund to Preschool, PASS, and Drivers Education funds to assist in covering costs of those programs.
<u>\$ 22,000</u>	
	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.
<u>\$ 49,624</u>	

8. RESTRICTED NET POSITION:

Restricted Net Position for the year ended June 30, 2016 was as follows:

<u>Funds</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	Law	\$ 1,827,016
Special Education	Law	608,057
Pension	Law	145,001
Debt Service	Debt Covenants	249,799
SDRS Pension Purposes	Law	496,886
		<u>\$ 3,326,759</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 \$915,937 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.

10. 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.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

10. PENSION PLAN: (continued)

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.

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, 2016, 2015, and 2014 were \$99,853, \$93,556, and \$86,590, respectively, equal to the required contributions each year.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

10. PENSION PLAN: (continued)

c. Contributions: (continued)

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

At June 30, 2015, SDRS is 104.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of June 30, 2016 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 9,203,774
Less proportionate share of total pension liability	8,841,544
<i>Proportionate share of net pension liability (asset)</i>	\$ (362,230)

At June 30 2016, the School District reported a liability (asset) of \$ (362,230) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2015 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, 2015, the School District's proportion was .0854057%, which is an increase of .028792% from its proportion measured as of June 30, 2014.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

10. PENSION PLAN: (continued)

c. Contributions: (continued)

For the year ended June 30, 2016, the School District recognized pension expense (revenue) of \$(39,534). At June 30, 2016 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	\$ 74,168	\$ —
Changes in assumptions	287,226	—
Net difference between projected and actual earnings on pension plan investments	221,280	534,477
Changes in proportion and difference between District contributions and proportionate share of contributions	—	9,309
District contributions subsequent to the measurement date	<u>95,768</u>	<u>—</u>
<i>Proportionate share of net pension liability (asset)</i>	<u>\$ 678,442</u>	<u>\$ 543,786</u>

\$95,768 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, 2017. 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>
2017	\$ 19,870
2018	19,870
2019	(43,470)
2020	<u>61,235</u>
TOTAL	<u>\$ 57,505</u>

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

d. **Actuarial Assumptions:**

The total pension liability (asset) in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary Increases	5.83 percent at entry to 3.87 percent after 30 years of service
Investment Rate of Return	7.25 percent through 2017 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, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-term Expected Real Rate of Return</i>
Global equity	61.0%	4.5%
Fixed income	27.0%	1.8%
Real estate	10.0%	5.2%
Cash	2.0%	0.8%
TOTAL	<u><u>100%</u></u>	

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

10. PENSION PLAN: (continued)

e. Discount Rate:

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

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 2017 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)	\$ 911,729	\$ (362,230)	\$ (1,401,034)

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.

11. RESTRICTED CASH AND INVESTMENT:

Assets are restricted for use for a specific purpose through segregation of balances in separate account. As of June 30, 2016, \$249,799 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, 2016

12. 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, 2016, the School District managed its risks as follows:

Employee Health Insurance – The School District purchases health insurance from a commercial insurance carrier.

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, 2016, no claims for unemployment benefits were paid. At June 30, 2016, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
BUDEGETARY COMPARISON SCHEDULE –
GENERAL FUND – BUDEGETARY BASIS
JUNE 30, 2016

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u> <u>BUDGETARY</u> <u>BASIS</u>	<u>FINAL BUDGET-</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
REVENUES:				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 1,141,000	\$ 1,141,000	\$ 1,285,473	\$ 144,473
Prior years' ad valorem taxes	5,000	5,000	6,386	1,386
Utility taxes	115,000	115,000	105,664	(9,336)
Penalties and interest on taxes	2,000	2,000	3,460	1,460
<i>Earnings on investments and deposits</i>	3,000	3,000	4,006	1,006
<i>Cocurricular Activities:</i>				
Admissions	16,000	16,000	17,471	1,471
<i>Other Revenue from Local Sources:</i>				
Rentals	1,000	1,000	780	(220)
Contributions and donations	6,000	6,000	7,192	1,192
Judgments	–	–	1,306	1,306
Charges for services	4,000	4,000	3,346	(654)
Other	17,000	17,000	23,344	6,344
<i>Revenue from Intermediate Sources:</i>				
<i>County Sources:</i>				
County apportionment	25,000	25,000	34,738	9,738
<i>Revenue in Lieu of Taxes</i>	2,800	2,800	3,038	238
<i>Revenue from State Sources:</i>				
<i>Grants-in-Aid:</i>				
Unrestricted grants-in-aid	1,070,000	1,070,000	996,241	(73,759)
<i>Other state revenue</i>	–	–	1,500	1,500
<i>Revenue from Federal Sources:</i>				
<i>Grants-in-Aid:</i>				
Restricted grants-in-aid Received from federal government through the state	109,600	109,600	106,092	(3,508)
<i>Other Federal Revenue</i>	2,000	2,000	5,834	3,834
TOTAL REVENUES	2,519,400	2,519,400	2,605,871	86,471

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
BUDEGETARY COMPARISON SCHEDULE –
GENERAL FUND – BUDEGETARY BASIS
JUNE 30, 2016
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>		
EXPENDITURES:				
<i>Instruction:</i>				
<i>Regular Programs:</i>				
Elementary	\$ 744,445	\$ 843,016	\$ 723,673	\$ 119,343
Middle school	161,886	182,269	153,142	29,127
High school	462,381	507,083	418,187	88,896
<i>Special Programs:</i>				
Educationally deprived	105,137	110,574	104,510	6,064
<i>Support Services:</i>				
<i>Pupils:</i>				
Guidance	50,108	55,014	48,102	6,912
Health	1,500	1,500	932	568
<i>Instructional Staff:</i>				
Improvement of instruction	68,830	88,880	76,649	12,231
Educational media	113,942	139,629	114,527	25,102
<i>General Administration:</i>				
Board of education	52,870	81,870	69,432	12,438
Executive administration	103,750	114,727	104,105	10,622
<i>School Administration:</i>				
Office of the principal	162,464	187,094	150,970	36,124
Other	20,930	20,930	12,633	8,297
<i>Business:</i>				
Fiscal services	109,498	119,147	107,267	11,880
Operation and maintenance of plant	238,126	353,612	324,229	29,383
Pupil transportation	152,907	194,348	136,493	57,855
Food service	6,000	6,000	3,303	2,697
<i>Nonprogrammed Charges:</i>				
Payments to state-unemployment	3,000	3,000	--	3,000
<i>Cocurricular Activities:</i>				
Combined activities	145,840	164,355	135,695	28,660
Contingencies	100,000	100,000	--	100,000
TOTAL EXPENDITURES	<u>2,803,614</u>	<u>3,273,048</u>	<u>2,683,849</u>	<u>589,199</u>
<i>Excess of Revenue Over (Under) Expenditures</i>	<u>(284,214)</u>	<u>(753,648)</u>	<u>(77,978)</u>	<u>675,670</u>

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
BUDEGETARY COMPARISON SCHEDULE –
GENERAL FUND – BUDEGETARY BASIS
JUNE 30, 2016
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	\$ --	\$ --	\$ --
Transfers out	26,374	26,374	(22,000)	4,374
Sale of surplus property	--	--	638	638
Compensation for loss of general capital assets	--	--	3,512	3,512
<i>TOTAL OTHER FINANCING SOURCES (USES)</i>	<u>(23,374)</u>	<u>(26,374)</u>	<u>(17,850)</u>	<u>8,524</u>
<i>Net Change in Fund Balances</i>	(307,588)	(780,022)	(95,828)	684,194
<i>Change in Nonspendables</i>	--	--	(9,773)	(9,773)
<i>FUND BALANCE, Beginning of Year</i>	1,595,265	1,595,265	1,595,265	--
<i>FUND BALANCE, End of Year</i>	<u>\$ 1,287,677</u>	<u>\$ 815,243</u>	<u>\$ 1,489,664</u>	<u>\$ 674,421</u>

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
BUDEGETARY COMPARISON SCHEDULE –
CAPITAL OUTLAY FUND – BUDGETARY BASIS
JUNE 30, 2016

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>BUDGETARY</u>	<u>FINAL BUDGET-</u>
			<u>BASIS</u>	<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES:				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 974,550	\$ 974,550	\$ 1,006,743	\$ 32,193
Prior years' ad valorem taxes	–	–	4,814	4,814
Penalties and interest on taxes	–	–	2,703	2,703
<i>Earnings on Investments and Deposits</i>	40,500	40,500	44,414	3,914
<i>Other Revenue from Local Sources:</i>				
Contributions and donations	–	–	15,750	15,750
<i>Revenue from Intermediate Sources:</i>				
Revenue in lieu of taxes	–	–	581	581
TOTAL REVENUE	<u>1,015,050</u>	<u>1,015,050</u>	<u>1,075,005</u>	<u>59,955</u>
EXPENDITURES:				
<i>Instruction:</i>				
<i>Regular Programs:</i>				
Elementary	149,400	166,400	133,411	32,989
Middle school	26,900	26,900	18,322	8,578
High school	102,500	102,500	60,108	42,392
<i>Support Services:</i>				
<i>Pupils:</i>				
Guidance	200	200	–	200
<i>Instructional Staff:</i>				
Educational media	16,650	16,650	6,600	10,050
<i>General Administration:</i>				
Board of education	29,100	29,100	–	29,100
Executive administration	9,000	9,000	155	8,845
<i>School Administration:</i>				
Office of principal	5,100	5,100	277	4,823
<i>Business:</i>				
Fiscal services	6,700	6,700	1,091	5,609
Operation and maintenance of plant	421,400	441,400	107,796	333,604
Pupil transportation	188,100	188,100	31,452	156,648
<i>Debt Services</i>	47,725	47,725	47,725	–
<i>Cocurricular Activities:</i>				
Combined activities	31,250	31,250	21,192	10,058
TOTAL EXPENDITURES	<u>1,034,025</u>	<u>1,071,025</u>	<u>428,129</u>	<u>642,896</u>
<i>Excess of Revenue Over (Under) Expenditures</i>	<u>(18,975)</u>	<u>(55,975)</u>	<u>646,876</u>	<u>702,851</u>
OTHER FINANCING SOURCES (USES):				
Transfer out	49,625	49,625	(49,624)	1
Sale of surplus property	–	–	501	501
Compensation for loss of general capital assets	–	–	13,801	13,801
TOTAL OTHER FINANCING SOURCES (USES)	<u>(49,625)</u>	<u>(49,625)</u>	<u>(35,322)</u>	<u>14,303</u>
<i>Net Change in Fund Balances</i>	(68,600)	(105,600)	611,554	717,154
<i>FUND BALANCE - Beginning of Year</i>	1,206,856	1,206,856	1,206,856	–
<i>FUND BALANCE - End of Year</i>	<u>\$ 1,138,256</u>	<u>\$ 1,101,256</u>	<u>\$ 1,818,410</u>	<u>\$ 717,154</u>

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
BUDEGETARY COMPARISON SCHEDULE –
SPECIAL EDUCATION FUND – BUDGETARY BASIS
JUNE 30, 2016

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u> <u>BUDGETARY</u> <u>BASIS</u>	<u>FINAL BUDGET-</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
REVENUES:				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 429,462	\$ 429,462	\$ 477,313	\$ 47,851
Prior years' ad valorem taxes	–	–	2,021	2,021
Penalties and interest on taxes	–	–	1,168	1,168
<i>Earnings on Investments and Deposits</i>	–	–	1,855	1,855
<i>Other Revenue from Local Sources:</i>				
Charges for services	1,000	1,000	727	(273)
<i>Revenue from Intermediate Sources:</i>				
Revenue in lieu of taxes	–	–	252	252
TOTAL REVENUE	<u>430,462</u>	<u>430,462</u>	<u>483,336</u>	<u>52,874</u>
EXPENDITURES:				
<i>Instruction:</i>				
<i>Special Programs:</i>				
Programs for special education	466,440	515,707	401,265	114,442
<i>Support Services:</i>				
<i>Pupils:</i>				
Psychological	17,000	17,000	13,409	3,591
Speech pathology	15,000	15,000	11,891	3,109
Audiology	3,000	3,000	–	3,000
Student therapy services	29,000	29,000	17,977	11,023
<i>Special Education:</i>				
Administrative costs	18,970	19,703	7,776	11,927
Transportation costs	6,910	6,910	4,970	1,940
Other costs	37,000	37,000	19,893	17,107
TOTAL EXPENDITURES	<u>593,320</u>	<u>643,320</u>	<u>477,181</u>	<u>166,139</u>
<i>Excess of Revenue Over (Under) Expenditures</i>	<u>(162,858)</u>	<u>(212,858)</u>	<u>6,155</u>	<u>219,013</u>
<i>Net Change in Fund Balances</i>	(162,858)	(212,858)	6,155	219,013
FUNDS BALANCE - Beginning of Year	<u>602,507</u>	<u>602,507</u>	<u>602,507</u>	<u>–</u>
FUNDS BALANCE - End of Year	<u>\$ 439,649</u>	<u>\$ 389,649</u>	<u>\$ 608,662</u>	<u>\$ 219,013</u>

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
BUDEGETARY COMPARISON SCHEDULE –
PENSION FUND – BUDGETARY BASIS
JUNE 30, 2016

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u> <u>BUDGETARY</u> <u>BASIS</u>	<u>FINAL BUDGET-</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
REVENUES:				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 68,000	\$ 68,000	\$ 70,581	\$ 2,581
Prior years' ad valorem taxes	–	–	284	284
Penalties and interest on taxes	–	–	189	189
<i>Earnings on Investments and Deposits</i>	–	–	311	311
<i>Revenue from Intermediate Sources:</i>				
Revenue in lieu of taxes	–	–	41	41
TOTAL REVENUES	68,000	68,000	71,406	3,406
EXPENDITURES:				
<i>Instruction:</i>				
<i>Regular Programs:</i>				
Elementary	30,589	30,589	–	30,589
Middle school	6,888	6,888	–	6,888
High school	15,609	15,609	–	15,609
Preschool	1,401	1,401	908	493
<i>Special Programs:</i>				
Educationally deprived	5,437	5,437	–	5,437
<i>Support Services:</i>				
<i>Pupils:</i>				
Guidance	2,061	2,061	–	2,061
<i>Instructional Staff:</i>				
Improvement of Instruction	2,160	2,660	–	2,660
Educational media	3,034	3,034	–	3,034
<i>General Administration:</i>				
Executive administration	4,380	4,380	–	4,380
<i>School Administration:</i>				
Office of principal	6,309	6,709	–	6,709
Other	270	270	–	270
<i>Business:</i>				
Fiscal services	3,366	3,366	–	3,366
Operation and maintenance of plant	6,312	6,312	–	6,312
Transportation	1,800	1,800	–	1,800
<i>Community Services:</i>				
Custody and care of children	504	504	–	504
<i>Cocurricular Activities:</i>				
Combined activities	4,346	4,346	–	4,346
TOTAL EXPENDITURES	94,466	95,366	908	94,458
<i>Excess of Revenue Over (Under) Expenditures</i>	(26,466)	(27,366)	70,498	97,864
<i>Net Change in Fund Balances</i>	(26,466)	(27,366)	70,498	97,864
<i>FUND BALANCE - Beginning of Year</i>	72,598	72,598	72,598	–
<i>FUND BALANCE - End of Year</i>	\$ 46,132	\$ 45,232	\$ 143,096	\$ 97,864

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE LIABILITY (ASSET)
SOUTH DAKOTA RETIREMENT SYSTEM
JUNE 30, 2016

	<i>2016</i>	<i>2015</i>
District's proportion of the net pension liability (asset)	0.0854057%	0.0825265%
District's proportionate share of net pension liability (asset)	\$ (362,230)	\$ (594,570)
District's covered-employee payroll	\$ 1,559,264	\$ 1,443,167
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-23.23%	-41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	104%	107%

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS
SOUTH DAKOTA RETIREMENT SYSTEM
JUNE 30, 2016

	<i>2016</i>	<i>2015</i>	<i>2014</i>
Contractually required contribution	\$ 99,853	\$ 93,556	\$ 86,590
Contributions in relation to the contractually required contribution	<u>99,853</u>	<u>93,556</u>	<u>86,590</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 1,664,209	\$ 1,559,264	\$ 1,443,167
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

1. 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.
- b. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
- c. The proposed budget is published for public review no later than July 15 each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
- f. 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 (h).
- g. 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. No amount of expenditures may be charged directly to the contingency line item in the budget.
- h. 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.
- i. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
- j. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
- k. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. USGAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES:

The financial statements prepared in conformity with USGAAP 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 expenditures on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI 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.