

**WEST CENTRAL
SCHOOL DISTRICT NO. 49-7**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2015

WEST CENTRAL SCHOOL DISTRICT NO. 49-7
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2015

School Board

Steve Dick - President

Bryan Skinner - Vice President

Dennis Husman

Craig Habben

Gordon Haldeman

Superintendent

Jeff Danielsen

Business Manager

Susan Kurtz

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QUAM & BERGLIN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

School Board
West Central School District No. 49-7
Minnehaha County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the West Central School District No. 49-7, Minnehaha County, South Dakota, as of June 30, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the West Central School District No. 49-7 as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard

As described in the Notes to the Financial Statements, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in the Notes to the Financial Statements, the School District has retroactively restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, the Schedule of the Proportionate Share of the Net Pension Asset, the Schedule of the School District Contributions, and the Schedule of Funding Progress 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.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2016 on our consideration of West Central School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Quam & Berglin, P.C.

Quam and Berglin, P.C.
Certified Public Accountants

January 29, 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS

We are pleased to submit to you the accompanying financial statements for the West Central School District No. 49-7 as of and for the fiscal year ending June 30, 2015. These statements have been prepared in accordance with the standards as established by the Governmental Accounting Standards Board.

This section of the West Central School District 49-7's annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year ended on June 30, 2015. Please read it in conjunction with the School District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The School District's net position from governmental and business type related activities were \$12,736,672 as of June 30, 2015.
- For the fiscal year ended June 30, 2015, the School District's total Government-Wide revenues generated from ad valorem tax collections, state aid, grants, and miscellaneous income of \$12,729,887 exceeded total Government-Wide expenditures of \$12,030,856 by \$699,031 (5.8%).
- The School District's total Government-Wide revenues increased by \$475,576 (3.9%) from fiscal year 2013-2014 to fiscal year 2014-2015. Property tax revenue increased by \$437,665 from 2013-2014 to 2014-2015 due to increased amount of valuation of the property and new growth within the School District.
- The School District's total Government-Wide expenditures decreased by \$62,871 (.52%).
- Between the School District's Government-Wide Statement of Activities and the Fund Financial Report entitled Statement of Revenues, Expenditures, and Changes in Fund Balance there is a net variance from \$722,362 in the Statement of Activities to a negative \$1,064,226. The large net variance is due to implementing GASB 68 pension numbers and the construction of the Humboldt lunchroom which in the Fund Financials is treated as an expense.
- Within the Fund Financial Report the general fund reported a fund balance of \$2,251,117 as of June 30, 2015, which is a decrease of \$508,409 from the previous year. The fund balance within the general fund at June 30, 2015 represents 27.32% of the expenditures for the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual 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 District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School District's overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of the School District government, reporting the School District's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services were financed in the short-term as well as what remains for futures spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the school operates like businesses.
 - Fiduciary fund statements provide information about the financial relationships – like scholarship plans for graduating students – in which the School District 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 shows how the required parts of this annual report are arranged and relate to one another.

**Figure A-1
Required Components of West Central School District's Annual Financial Report**

- Management's Discussion And Analysis
- Basic Financial Statements
 1. Government Wide Financial Statements
 2. Fund Financial Statements
- Notes to the Financial Statements
- Required Supplemental Information

Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

**Figure A-2
Major Features of Sample School District's Government-wide and Fund Financial Statements**

	Government-wide	Fund Statements		
	<u>Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire School government (except fiduciary funds).	The activities of the School that are not proprietary or fiduciary, such as elementary & high school education programs.	Activities the School operates similar to private businesses, the food service operation.	Instances in which 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	*Balance Sheet *Statement of Revenue, Expenses, and Changes in Net Assets *Statement of Cash Flows	*Statement of Fiduciary Net Assets *Statement of Changes in Fiduciary Net Assets
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.
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Government-wide Financial Statements

The government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets 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 District’s net position and how they have changed. Net position – the difference between the School District’s assets/deferred outflows and liabilities/deferred inflows – are one way to measure the School District’s financial health or position.

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

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

- **Governmental Activities** – This category includes the School District’s basic instructional services, such as elementary and high school educational programs, support services (guidance counselors, executive administration, board of education, fiscal services, etc.), debt services payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants, and interest earnings finance most of these activities.
- **Business –type Activities** – The School District maintains two business-type activities. The Food Service fund charges a fee to students to help cover the costs of providing hot lunch services to all students. The Community Activities Fund program (KARE and Community Education) charges fees to parents for the cost of after school care and summer care of students.

Fund Financial Statements

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

- State Law requires some of the funds.

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

The School District has three kinds of funds:

- *Governmental Funds* – Most of the School District's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary Funds* – Services for which the School District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service Enterprise Fund and the Community Activities Fund (two types of proprietary fund) are the same as business-type activities, but provides more detail and additional information such as cash flows.
- *Fiduciary Funds* – The School District is the trustee, or fiduciary, for various external and internal parties. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the School District's government-wide financial statements because the School District cannot use these assets to finance its operations.

Financial Analysis of the School District as a Whole

Net Position

The perspective of the Statement of Net Position is a representation of the School District as a whole. Table A-1 provides a summary of the School District's net position for 2015 compared to 2014.

Table A-1
West Central School District No. 49-7
Statement of Net Position

	Governmental Activities		Business-type Activities		Total		Percentage
	2014	2015	2014	2015	2014	2015	Change 2014-2015
Assets							
Current and Other Assets	\$8,301,176	\$10,155,646	\$420,349	\$396,537	\$8,721,525	\$10,552,183	20.99%
Capital Assets	21,868,233	22,124,518	136,368	136,378	22,004,601	22,260,895	1.16%
Total Assets	30,169,409	32,280,164	556,717	532,915	30,726,126	32,813,079	6.79%
Deferred Outflows	273,139	2,335,972			273,139	2,335,972	100.00%
Liabilities							
Long-Term Debt Outstanding	16,781,499	15,690,971			16,781,499	15,690,971	-6.50%
Other Liabilities	962,069	1,349,177	36,421	35,949	998,490	1,385,125	38.72%
Total Liabilities	17,743,568	17,040,148	36,421	35,949	17,779,989	17,076,097	-3.96%
Deferred Inflows	2,436,555	5,336,281			2,436,555	5,336,281	100.00%
Net Position							
Net Investment in	6,897,716	7,551,532	136,368	136,378	7,034,084	7,687,910	9.30%

Capital Assets							
Restricted	878,841	2,778,600			878,841	2,778,600	216.17%
Unrestricted	2,485,869	1,909,574	383,929	360,589	2,869,798	2,270,163	-20.89%
Total Net Position	10,262,426	12,239,706	520,297	496,967	10,782,723	12,736,672	18.12%

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the School District, consisting of general obligation bonds, early retirement benefits payable, capital outlay certificates, and compensated absences, have been reported in this manner on the Statement of Net Position.

The West Central School District has implemented “GASB 68 Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No 27 and GASB 71 Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement 68”. With this implementation there is a net effect on the Government-Wide Statement of Net Position of \$1,719,315. Assets and deferred inflows and Outflows are done to record the proportionate share of the South Dakota Retirement System within the Government-Wide financial statements.

The District’s combined Net Position in the Governmental Activities as of June 30, 2015 increased by \$1,953,949 or 18.12% over the previous year. Of this increase \$1,719,315 was due to the GASB implementation. In Fiscal Year 2014-2015 the School District consequently showed a decrease in the amount of unrestricted net position in the governmental activities of \$576,294. Unrestricted net position are the part of the net position that can be used to finance day to day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

Restricted net position is restricted in their usage either through the nature of the fund or through legal requirements. The Net Position sub account entitled Net Investment in Capital Assets which is a combination of additions to capital assets, depreciation reductions, and the payment of principal on existing debt issues.

Changes in Net Position

The School District’s total revenues (excluding special items) of \$12,729,856 increased by 3.88% compared to the prior year. (See Table A-2). Approximately forty-five percent of the School District’s revenue comes from property and other taxes, with another forty percent coming from state aide. (See Figure A-3).

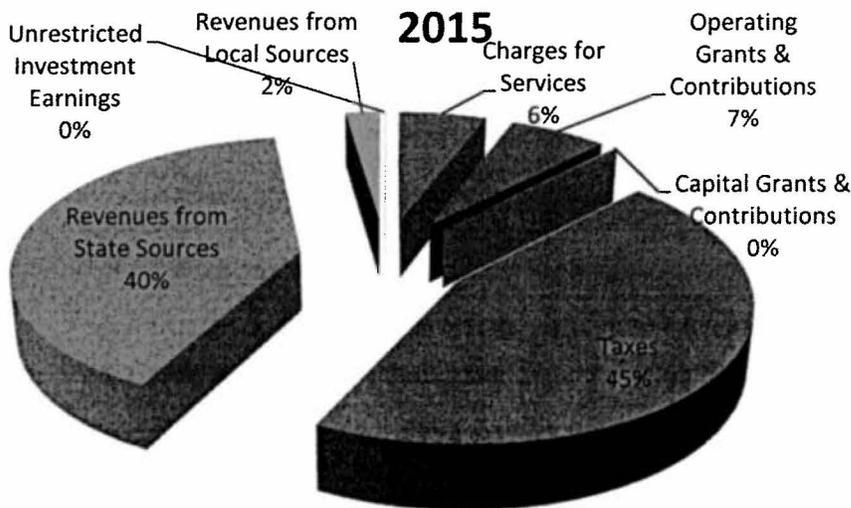
Table A-2 and the narrative that follows consider the operations of governmental and business-type activities:

Table A-2
West Central School District No. 49-7
Changes in Net Positions

	Governmental Activities		Business-type Activities		Total		Percentage Change 2014-2015
	2014	2015	2014	2015	2014	2015	
Revenues							
Program Revenues:							
Charges for Services	\$92,659	\$99,661	\$674,293	\$633,481	\$766,952	\$733,142	-4.41%
Operating Grants & Contributions	588,336	589,871	262,862	229,403	851,199	819,274	-3.75%
Capital Grants & Contributions	23,169	18,401			23,170	18,401	-20.58%
General Revenues:							
Taxes	5,306,768	5,733,369			5,306,768	5,733,369	8.04%
Revenues from State Sources	5,212,125	5,131,923			5,212,125	5,131,923	-1.54%
Revenues from Local Sources	90,138	289,848	228		90,366	289,848	220.75%
Unrestricted Investment Earnings	3,596	3,557	134	371	3,730	3,928	5.31%

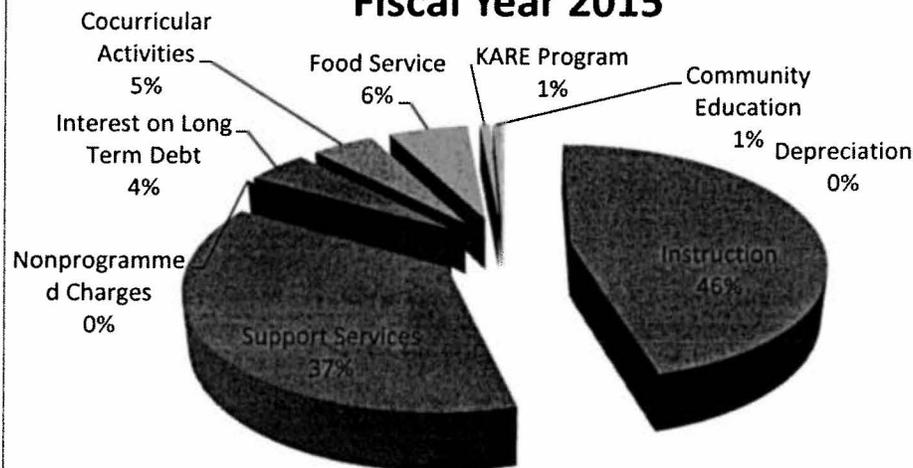
Transfers	134	121	-134	-121	0	0	0.00%
Total Revenues	11,316,925	11,866,752	937,383	863,134	12,254,310	12,729,886	3.88%
Expenses							
Instruction	6,019,696	5,506,409			6,019,696	5,506,409	-8.53%
Support Services	4,276,362	4,513,532			4,276,362	4,513,532	5.55%
Nonprogrammed Charges	5,018	0			5,018	0	-100.00%
Interest on Long-Term Debt	528,820	551,995			528,820	551,995	4.38%
Cocurricular Activities	525,346	560,302			525,346	560,302	6.65%
Food Service			588,253	713,060	588,253	713,060	21.22%
KARE Program			74,743	95,872	74,743	95,872	28.27%
Community Education			55,730	77,533	55,730	77,533	39.12%
Depreciation (Unallocated)	19,759	12,153			19,759	12,153	-38.49%
Total Expenses	11,375,001	11,144,390	718,727	886,465	12,093,727	12,030,856	-0.52%
Increase (Decrease) in Net Position	-58,076	722,362	218,656	-23,331	160,583	699,031	335.31%
Cumulative Effect of GASB 65 Implementation	239,051				239,051	0	100.00%
Cumulative Effect of GASB 68 and 71 Implementation		1,254,919			0	1,254,919	100.00%
Net Positions	10,262,425	12,239,706	520,297	496,967	10,782,721	12,736,672	18.12%

**Figure A-3 West Central School District
Sources of Revenues for Fiscal Year**



The total cost of all programs and services decreased by \$62,871 or .52% in comparison to the prior year. The School District's expenses cover a range of services, encompassing instruction, support services, and food services. (See Figure A-4).

**Figure A-4 West Central School District
Functional Expenses
Fiscal Year 2015**



Governmental Activities

Revenues for the governmental activities increased by \$549,827 (4.85%). The increase in revenues primarily occurred through the increase in property taxes by \$426,601. Funding within the General Fund is primarily provided on a per student basis comprised of dollars received through the State of South Dakota and dollars received through the levy of property taxes on the residents of the school district. The student enrollment data is determined in the fall of the preceding school year and had decreased from 1,373 to 1,341 which resulted in a decrease in state aid of \$80,202. However local revenue sources increased by \$199,710 due to increased tuition fees, sale of building trade house, and an increase in federal grants (Title I D and Homeland Security).

For fiscal year 2014-2015 the per student basis rate was \$4,781. During the 2013-2014 school year the per student basis rate was \$4,626 which in comparison was a 3.36% increase.

Total expenses for the governmental activities decreased over the previous year by \$230,611 2.03%. There were many different reasons for the decrease from the prior year to the current year including 2013-2014 purchase of new MacBook Air Laptop computers at \$583,159 (decrease for 2014-2015); increase in additional staff members at the Humboldt Elementary, High School, Title I, the special education fund and a technology assistant; an increase in professional development; and offset with a decrease in debt services due to the maturity of a debt issue in 2013-2014. Salary increases for staff members during the 2014-2015 were at an average of 4.65%.

Business-type Activities

Operating revenues of the School District’s business-type activities decreased by \$74,259. A majority of the decrease was the discontinuation of services to the Sequel Transitional Academy whereby we provided breakfast, lunch, and snacks five days a week and ordered food supplies for suppers and weekend meals. We did have other increases within the food service program due to the increase in lunch prices.

Expenditures of the School District’s business-type activities increased by \$167,738. The increase is attributable to the annual increase in salaries and benefits at 4.65% and the increase price of food.

Financial Analysis of the School District's Funds

The financial analysis of the School District's funds mirror those highlighted in the analysis of governmental and business-type activities presented above.

General Fund Budgetary Highlights

Over the course of the year, the School Board revised the School budget several times. The budget was supplemented for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.

Capital Asset Administration

By the end of fiscal year 2014-2015 the School District had invested \$31,549,944 in a broad range of capital assets, including land, improvements other than buildings, buildings, various machinery and equipment (See Table A-3). This amount represents a net increase (including additions, adjustments, and deductions but not the accumulated depreciation costs) of \$1,027,394, or 3.37%, over last year.

Table A-3
West Central School District No. 49-7
Capital Assets
(not Including accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change 2014-2015	Total Percentage Change
	2014	2015	2014	2015		
Land	\$325,172	\$325,172			\$0	0.00%
Construction Work In Progress	64,788	819,458			754,670	100.00%
Buildings Improvements Other Than Bldgs	25,144,671	25,253,312			108,641	0.43%
Machinery and Equipment	1,312,077	1,325,878			13,801	1.05%
	3,345,900	3,478,758	329,942	347,366	150,282	4.09%
Total Capital Assets	30,192,608	31,202,578	329,942	347,366	1,027,394	3.37%

The net increase of Capital Assets is comprised of the construction work in progress on the building of a lunchroom and classroom addition to the Humboldt Elementary at \$754,670 and an increase in the purchase of various equipment, machinery and technology assets at a total of \$272,724.

Long-Term Debt

At year-end the School District had \$15,690,971 in General Obligation, Capital Outlay Certificates, and other long-term obligations. This is a decrease of \$1,090,529 as shown on Table A-4 below.

Table A-4
West Central School District No. 49-7
Outstanding Debt and Obligations

	Governmental Activities		Business-Type Activities		Total Dollar Change 2014-2015	Total Percentage Change
	2014	2015	2014	2015		
General Obligation Bonds	\$8,590,000	\$7,895,000			-\$695,000	-8.09%
Early Retirement Compensated Absences	223,448	152,791			-70,657	-31.62%
Capital Outlay	25,884	32,855			6,971	26.93%

Certificates	7,325,000	6,925,000	-400,000	-5.46%
Capital Lease	345,748	345,748	0	100.00%
Other Postemployment Benefits	271,420	339,577	68,157	100.00%
Total Outstanding Debt and Obligations	<u>16,781,500</u>	<u>15,690,971</u>	<u>-1,090,529</u>	<u>-6.50%</u>

Regularly scheduled payments of debt amounted to a decrease in Outstanding Debt and Obligations of \$1,165,657. Remaining increase was due to the increase in accrued compensated absences and other post-employment benefits.

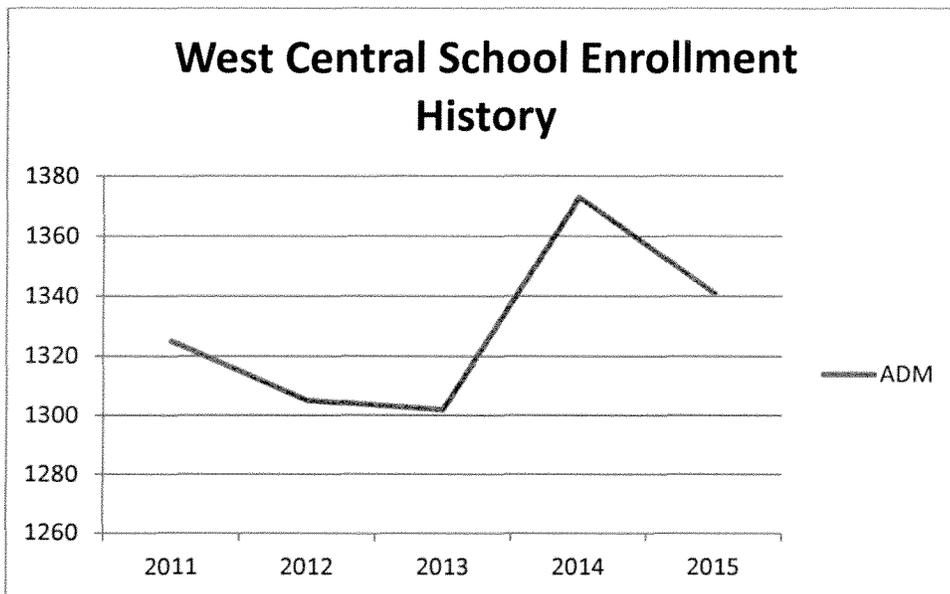
Economic Factors and Next Year’s Budgets and Rates

The School District’s current economic position has shown growth in the form of property valuation. The School District did experience an increase in total property valuation of \$30,949,090 or 16.07% from the prior year. Property valuation allows the School District the ability to increase the amount of revenue generated from property taxes, however the total amount, which can be levied, is limited by the State of South Dakota within the General Fund. The Capital Outlay Fund, Pension Fund, and Debt Service Fund will benefit from the increase in valuation.

One of the primary sources of revenue to the School District is based on a per student allocation they receive from the State of South Dakota. The per student allocation of funding will be at \$4,877 for fiscal year 2014-2015 compared to \$4,781 for fiscal year 2013-2014. The increase in funding will result in \$128,736. The student enrollment numbers are determined each September. The change in enrollment from the fall of 2013 to the fall of 2014 is an increase of 35 students which will increase funding by \$170,695 resulting in an overall increase in funding for the General Fund of \$299,431.

The School District negotiates the salaries of the teachers for the School District. The result of the negotiations for fiscal year 2015-2016 resulted in a 7% increase across the District.

The School District’s enrollment for the last five years has been as follows:



Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the West Central School District's Business Office, PO Box 730, 705 East Second Street, Hartford, SD 57033.

WEST CENTRAL SCHOOL DISTRICT NO. 49-7
STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
ASSETS:			
Cash and Cash Equivalents	\$ 4,218,903.39	\$ 370,181.05	\$ 4,589,084.44
Taxes Receivable	2,705,283.77		2,705,283.77
Receivables	659,282.14	13,430.62	672,712.76
Inventories	12,878.84	12,165.69	25,044.53
Net Pension Asset	2,337,012.99		2,337,012.99
Prepaid Expense	222,285.03	760.00	223,045.03
Capital Assets:			
Land and Construction Work in Progress	1,144,630.24		1,144,630.24
Other Capital Assets, Net of Depreciation	<u>20,979,887.27</u>	<u>136,377.83</u>	<u>21,116,265.10</u>
TOTAL ASSETS	<u>32,280,163.67</u>	<u>532,915.19</u>	<u>32,813,078.86</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	2,088,957.17		2,088,957.17
Deferred Charge on Refunding	<u>247,014.38</u>		<u>247,014.38</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,335,971.55</u>		<u>2,335,971.55</u>
LIABILITIES:			
Accounts Payable	379,177.71	2,142.37	381,320.08
Contracts and Benefits Payable	817,309.46	16,069.24	833,378.70
Internal Funds	(19.62)	19.62	
Unearned Revenue	3,545.00	17,717.40	21,262.40
Accrued Interest Payable	149,163.98		149,163.98
Noncurrent Liabilities:			
Due Within One Year	1,195,789.45		1,195,789.45
Due in More than One Year	<u>14,495,182.00</u>		<u>14,495,182.00</u>
TOTAL LIABILITIES	<u>17,040,147.98</u>	<u>35,948.63</u>	<u>17,076,096.61</u>
DEFERRED INFLOWS OF RESOURCES:			
Taxes Levied for a Future Period	2,629,626.33		2,629,626.33
Pension Related Deferred Inflows	<u>2,706,655.03</u>		<u>2,706,655.03</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>5,336,281.36</u>		<u>5,336,281.36</u>
NET POSITION:			
Net Investment in Capital Assets	7,551,531.89	136,377.83	7,687,909.72
Restricted for:			
Capital Outlay	231,746.68		231,746.68
Special Education	181,808.57		181,808.57
Debt Service	277,941.99		277,941.99
Pension	367,787.13		367,787.13
SDRS Pension Purposes	1,719,315.14		1,719,315.14
Unrestricted	<u>1,909,574.49</u>	<u>360,588.73</u>	<u>2,270,163.22</u>
TOTAL NET POSITION	<u>\$ 12,239,705.89</u>	<u>\$ 496,966.56</u>	<u>\$ 12,736,672.45</u>

The attached notes are an integral part of these financial statements.

**WEST CENTRAL SCHOOL DISTRICT NO. 49-7
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Net (Expense) Revenue and Changes in Net
Position

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
Instruction	\$ 5,506,408.77	\$ 355.25	\$ 537,500.93	\$ 18,401.22	\$ (4,950,151.37)		\$ (4,950,151.37)
Support Services	4,513,531.73	13,015.00	52,370.17		(4,448,146.56)		(4,448,146.56)
Interest on Long-Term Debt*	551,995.29				(551,995.29)		(551,995.29)
Cocurricular Activities	560,301.76	86,291.13			(474,010.63)		(474,010.63)
Depreciation - Unallocated**	12,152.91				(12,152.91)		(12,152.91)
Total Governmental Activities	11,144,390.46	99,661.38	589,871.10	18,401.22	(10,436,456.76)		(10,436,456.76)
Business-type Activities:							
Food Service	713,060.04	462,128.89	229,403.30			(21,527.85)	(21,527.85)
Kare Program	95,872.41	100,874.90				5,002.49	5,002.49
Community Education	77,532.72	70,477.35				(7,055.37)	(7,055.37)
Total Business-type activity	886,465.17	633,481.14	229,403.30			(23,580.73)	(23,580.73)
Total Primary Government	\$ 12,030,855.63	\$ 733,142.52	\$ 819,274.40	\$ 18,401.22	(10,436,456.76)	(23,580.73)	(10,460,037.49)
General Revenues:							
Taxes:							
					5,420,949.51		5,420,949.51
					312,419.52		312,419.52
Revenue from State Sources:							
					5,131,923.37		5,131,923.37
					3,557.11	371.31	3,928.42
					289,848.49		289,848.49
					120.93	(120.93)	
Total General Revenues & Transfers					11,158,818.93	250.38	11,159,069.31
Change in Net Position					722,362.17	(23,330.35)	699,031.82
Net Position - Beginning					10,262,425.00	520,296.91	10,782,721.91
Prior Period Adjustment					1,254,918.72		1,254,918.72
Adjusted Net Position - Beginning					11,517,343.72	520,296.91	12,037,640.63
NET POSITION - ENDING					\$ 12,239,705.89	\$ 496,966.56	\$ 12,736,672.45

*The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

**This amount excludes the depreciation that is included in the direct expenses of the various functions. See Note 6.

WEST CENTRAL SCHOOL DISTRICT NO. 49-7
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
ASSETS:							
Cash and Cash Equivalents	\$ 2,471,291.71	\$ 748,513.99	\$ 175,118.83	\$ 527,820.21	\$ 260,757.67	\$ 35,400.98	\$ 4,218,903.39
Taxes Receivable--Current	1,058,005.74	714,264.80	352,370.50	71,426.44	433,558.85		2,629,626.33
Taxes Receivable--Delinquent	30,890.59	19,919.44	9,386.51	2,054.30	13,406.60		75,657.44
Accounts Receivable	5,020.08	10,250.00					15,270.08
Due from Other Funds	46,187.12				3,139.17		49,326.29
Due from State Government	246,650.29		145,744.00				392,394.29
Due from County Government	217,169.66	15,624.60	7,658.54	1,562.58	9,602.39		251,617.77
Inventory	12,878.84						12,878.84
Prepaid Expenses	90,037.03	132,248.00					222,285.03
TOTAL ASSETS	<u>\$4,178,131.06</u>	<u>\$1,640,820.83</u>	<u>\$690,278.38</u>	<u>\$602,863.53</u>	<u>\$720,464.68</u>	<u>\$ 35,400.98</u>	<u>\$7,867,959.46</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:							
Liabilities:							
Accounts Payable	\$ 101,213.49	\$ 173,883.65	\$ 68,679.59	\$	\$	\$ 35,400.98	\$ 379,177.71
Contracts Payable	596,166.62		70,970.23				667,136.85
Due to Other Funds	3,389.55	34,977.84	80.30	10,858.98			49,306.67
Payroll Deductions and Withholdings and Employer Matching Payable	133,803.42		16,369.19				150,172.61
Unearned Revenue	3,545.00						3,545.00
Total Liabilities	<u>838,118.08</u>	<u>208,861.49</u>	<u>156,099.31</u>	<u>10,858.98</u>		<u>35,400.98</u>	<u>1,249,338.84</u>
Deferred Inflows of Resources:							
Taxes Levied for a Future Period	1,058,005.74	714,264.80	352,370.50	71,426.44	433,558.85		2,629,626.33
Unavailable Revenue - Property Taxes	30,890.59	19,919.44	9,386.51	2,054.30	13,406.60		75,657.44
Total Deferred Inflows of Resources	<u>1,088,896.33</u>	<u>734,184.24</u>	<u>361,757.01</u>	<u>73,480.74</u>	<u>446,965.45</u>		<u>2,705,283.77</u>
Fund Balances:							
Nonspendable - Inventory	12,878.84						12,878.84
Nonspendable - Prepaid Expenses	90,037.03	132,248.00					222,285.03
Restricted		565,527.10	172,422.06	518,523.81	273,499.23		1,529,972.20
Assigned - Next Year's Budget	890,496.00						890,496.00
Unassigned	1,257,704.78						1,257,704.78
Total Fund Balances	<u>2,251,116.65</u>	<u>697,775.10</u>	<u>172,422.06</u>	<u>518,523.81</u>	<u>273,499.23</u>		<u>3,913,336.85</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$4,178,131.06</u>	<u>\$1,640,820.83</u>	<u>\$690,278.38</u>	<u>\$602,863.53</u>	<u>\$720,464.68</u>	<u>\$ 35,400.98</u>	<u>\$7,867,959.46</u>

**WEST CENTRAL SCHOOL DISTRICT NO. 49-7
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total Fund Balances - Governmental Funds \$ 3,913,336.85

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of assets	\$ 31,202,579.04	
Less Accumulated Depreciation	<u>(9,078,061.53)</u>	22,124,517.51

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Long-term liabilities at year-end consist of:

Bonds Payable	(7,895,000.00)	
Capital Outlay Certificates Payable	(6,925,000.00)	
Compensated Absences (Vacation)	(32,855.75)	
Special Termination (Early Retirement)	(152,790.98)	
Capital Leases	(345,747.72)	
Other Postemployment Benefits	<u>(339,577.00)</u>	(15,690,971.45)

Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.

2,337,012.99

Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.

2,088,957.17

Pension related deferred inflows are components of pension liability and therefore are not reported in the funds.

(2,706,655.03)

Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds.

75,657.44

Deferred losses on refunding are reported as expenditures in the governmental funds; however, they are deferred on the Statement of Net Position and amortized over the life of the new or old debt, whichever is shorter.

247,014.38

Accrued interest payable is not accounted for in the modified accrual basis of accounting but is accounted for in the Statement of Net Position.

(149,163.98)

Net Position - Governmental Funds

\$ 12,239,705.89

The attached notes are an integral part of these financial statements.

WEST CENTRAL SCHOOL DISTRICT NO. 49-7
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
Revenues:							
Revenue from Local Sources:							
Taxes:							
Ad Valorem Taxes	\$ 2,137,219.57	\$ 1,447,951.55	\$ 698,083.75	\$ 144,795.28	\$ 909,697.44	\$	\$ 5,337,747.59
Prior Years' Ad Valorem Taxes	24,220.49	12,401.34	5,799.54	1,240.13	8,301.50		51,963.00
Tax Deed Revenue	388.66	126.19	59.02	12.62	82.74		669.23
Utility Taxes	312,419.52						312,419.52
Penalties and Interest on Taxes	5,643.80	3,213.71	1,508.93	321.34	2,131.88		12,819.66
Tuition and Fees:							
Regular Day School Transportation Fees	13,015.00						13,015.00
Earnings on Investments and Deposits	2,116.04	161.04	143.93	489.06	168.89	478.15	3,557.11
Food Service			355.25				355.25
Cocurricular Activities:							
Admissions	57,355.59						57,355.59
Rentals	1,115.00						1,115.00
Other Pupil Activity Income	27,820.54						27,820.54
Other Revenue from Local Sources:							
Rentals	1,245.00						1,245.00
Contributions and Donations	5,163.14	11,252.00					16,415.14
Charges for Services	13,547.46		22,407.57				35,955.03
Other	89,919.88						89,919.88
Revenue from Intermediate Sources:							
County Sources:							
County Apportionment	59,642.22						59,642.22
Revenue from State Sources:							
Grants-in-Aid:							
Unrestricted Grants-in-Aid	4,565,017.71						4,565,017.71
Restricted Grants-in-Aid	21,750.00		348,465.00				370,215.00
Tuition:							
Regular	196,690.66						196,690.66
Other State Revenue	4,545.00						4,545.00
Revenue from Federal Sources:							
Grants-in-Aid:							
Unrestricted Grants-in-Aid Received from Federal Government Through an Intermediate Source	3,947.88	32,456.00	2,556.41	546.87	3,613.27		43,120.43
Restricted Grants-in-Aid Received from Federal Government Through the State	185,007.00		273,626.00				458,633.00
Other Federal Revenue		74,322.93					74,322.93
Total Revenue	<u>7,727,790.16</u>	<u>1,581,884.76</u>	<u>1,353,005.40</u>	<u>147,405.30</u>	<u>923,995.72</u>	<u>478.15</u>	<u>11,734,559.49</u>

Expenditures:

Instruction:

Regular Programs:

Elementary	1,777,378.06	19,760.18	44,734.64	1,841,872.88
Middle/Junior High	872,469.54	46,393.93	22,744.30	941,607.77
High School	1,161,654.14	106,538.02	32,632.76	1,300,824.92

Special Programs:

Gifted and Talented	25,993.68			25,993.68
Culturally Different	10,818.64			10,818.64
Programs for Special Education			921,098.49	921,098.49
Educationally Deprived	292,755.57			292,755.57
Alternative	129,697.73			129,697.73

Support Services:

Pupils:

Attendance and Social Work	8,000.00			8,000.00
Guidance	225,633.87			225,633.87
Health	31,241.14		16,874.76	48,115.90
Psychological			62,430.71	62,430.71
Speech Pathology			106,995.13	106,995.13
Student Therapy Services			92,972.84	92,972.84

Instructional Staff:

Improvement of Instruction	239,026.46		8,982.22	248,008.68
Educational Media	405,887.25			405,887.25

General Administration:

Board of Education	90,989.02			90,989.02
Executive Administration	179,619.68			179,619.68

School Administration:

Office of the Principal	503,493.13			503,493.13
Other	104,122.27			104,122.27

Business:

Fiscal Services	208,523.81			208,523.81
Facilities Acquisition and Construction		48,399.68		48,399.68
Operation and Maintenance of Plant	1,232,209.99	638.21		1,232,848.20
Pupil Transportation	388,077.80			388,077.80

Central:

Information	14,950.47			14,950.47
Staff	1,818.79			1,818.79

Special Education:

Administrative Costs			112,230.96	112,230.96
Transportation Costs			36,694.88	36,694.88
Other Special Education Costs			99,837.03	99,837.03

WEST CENTRAL SCHOOL DISTRICT NO. 49-7
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
Nonprogrammed Charges:							
Early Retirement Payments				70,656.63			70,656.63
Debt Services		681,603.88			923,202.50		1,604,806.38
Cocurricular Activities:							
Male Activities	85,081.77	8,684.83					93,766.60
Female Activities	84,633.67	10,233.20					94,866.87
Transportation	23,443.33						23,443.33
Combined Activities	139,891.22	17,034.38					156,925.60
Capital Outlay		301,038.54				769,082.70	1,070,121.24
Total Expenditures	<u>8,237,411.03</u>	<u>1,240,324.85</u>	<u>1,458,117.02</u>	<u>170,768.33</u>	<u>923,202.50</u>	<u>769,082.70</u>	<u>12,798,906.43</u>
Excess of Revenue Over (Under) Expenditures	<u>(509,620.87)</u>	<u>341,559.91</u>	<u>(105,111.62)</u>	<u>(23,363.03)</u>	<u>793.22</u>	<u>(768,604.55)</u>	<u>(1,064,346.94)</u>
Other Financing Sources (Uses):							
Transfers In	1,393.11						1,393.11
Transfers Out		(161.04)	(143.93)	(489.06)		(478.15)	(1,272.18)
Total Other Financing Sources (Uses)	<u>1,393.11</u>	<u>(161.04)</u>	<u>(143.93)</u>	<u>(489.06)</u>		<u>(478.15)</u>	<u>120.93</u>
Net Change in Fund Balances	(508,227.76)	341,398.87	(105,255.55)	(23,852.09)	793.22	(769,082.70)	(1,064,226.01)
Increase/(Decrease) in Inventory	(181.27)						(181.27)
Fund Balance - Beginning	<u>2,759,525.68</u>	<u>356,376.23</u>	<u>277,677.61</u>	<u>542,375.90</u>	<u>272,706.01</u>	<u>769,082.70</u>	<u>4,977,744.13</u>
FUND BALANCE - ENDING	<u>\$ 2,251,116.65</u>	<u>\$ 697,775.10</u>	<u>\$ 172,422.06</u>	<u>\$ 518,523.81</u>	<u>\$ 273,499.23</u>	<u>\$</u>	<u>\$ 3,913,336.85</u>

The attached notes are an integral part of these financial statements.

WEST CENTRAL SCHOOL DISTRICT NO. 49-7
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Net Change in Fund Balances - Total Governmental Funds		\$ (1,064,226.01)
Governmental funds report property taxes as revenue when cash is received, but the Statement of Activities includes the property taxes as revenue when earned.		17,750.03
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
New Purchases	\$ 1,070,121.24	
Donated Items	18,401.22	
Depreciation Expense	<u>(829,444.46)</u>	259,078.00
In the Statement of Activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.		(2,793.60)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		1,095,000.00
In the Statement of Activities, certain operating expenses - compensated absences (vacation pay), other postemployment benefits and special termination benefits (early retirement) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		
Change in Other Postemployment Benefits	(68,157.00)	
Change in Compensated Absences	(6,972.12)	
Special Termination Benefit Change	<u>70,656.63</u>	(4,472.49)
Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds.		464,396.42
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This amount represents the change in the amounts accrued.		(16,064.29)
Deferred losses on refunding are reported as expenditures in the governmental funds; however, they are deferred on the Statement of Net Position and amortized over the life of the new or old debt, whichever is shorter. The amount of amortization for the current year is:		(26,124.62)
Inventory of supplies and materials are expensed when purchased in the governmental funds. In the Statement of Activities these costs are expensed when used.		<u>(181.27)</u>
Change in Net Position of Governmental Activities		<u>\$ 722,362.17</u>

The attached notes are an integral part of these financial statements.

WEST CENTRAL SCHOOL DISTRICT NO. 49-7
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Enterprise Funds		Total Proprietary Funds
	Food Service Fund	Community Activities Fund	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 236,814.44	\$ 133,366.61	\$ 370,181.05
Accounts Receivable		12,277.75	12,277.75
Due from General Fund	250.38		250.38
Due from State Government	1,152.87		1,152.87
Inventory of Supplies	1,786.83		1,786.83
Inventory of Stores Purchased for Resale	6,015.74		6,015.74
Inventory of Donated Food	4,363.12		4,363.12
Prepaid Expenses	760.00		760.00
Total Current Assets	<u>251,143.38</u>	<u>145,644.36</u>	<u>396,787.74</u>
Capital Assets:			
Machinery and Equipment	347,365.88		347,365.88
Less: Accumulated Depreciation (Credit)	<u>(210,988.05)</u>		<u>(210,988.05)</u>
Total Noncurrent Assets	<u>136,377.83</u>		<u>136,377.83</u>
TOTAL ASSETS	<u>387,521.21</u>	<u>145,644.36</u>	<u>533,165.57</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	986.28	1,156.09	2,142.37
Contracts Payable	607.50	13,656.59	14,264.09
Due to General Fund		270.00	270.00
Payroll Deductions and Withholdings and Employer Matching Payable	302.95	1,502.20	1,805.15
Unearned Revenue	17,717.40		17,717.40
Total Current Liabilities	<u>19,614.13</u>	<u>16,584.88</u>	<u>36,199.01</u>
NET POSITION:			
Net Investment in Capital Assets	136,377.83		136,377.83
Unrestricted Net Position	<u>231,529.25</u>	<u>129,059.48</u>	<u>360,588.73</u>
Total Net Position	<u>\$ 367,907.08</u>	<u>\$ 129,059.48</u>	<u>\$ 496,966.56</u>

The attached notes are an integral part of these financial statements.

WEST CENTRAL SCHOOL DISTRICT NO. 49-7
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Funds		Total Proprietary Funds
	Food Service Fund	Community Activities Fund	
Operating Revenue:			
Tuition and Fees	\$	\$ 21,049.00	\$ 21,049.00
To Pupils	366,870.93		366,870.93
To Adults	10,736.85		10,736.85
A la Carte	77,819.80		77,819.80
Charge for Services		49,428.35	49,428.35
Child Care Services		100,549.20	100,549.20
Other	6,701.31	325.70	7,027.01
Total Operating Revenue	<u>462,128.89</u>	<u>171,352.25</u>	<u>633,481.14</u>
Operating Expenses:			
Salaries	256,431.43	123,614.70	380,046.13
Employee Benefits	64,082.95	13,762.62	77,845.57
Purchased Services	13,658.51	16,060.93	29,719.44
Supplies	17,495.02	16,834.83	34,329.85
Cost of Sales - Purchased Food	305,634.74	3,032.05	308,666.79
Cost of Sales - Donated Food	36,638.30		36,638.30
Miscellaneous	1,704.50	100.00	1,804.50
Depreciation - Local Funds	17,414.59		17,414.59
Total Operating Expenses	<u>713,060.04</u>	<u>173,405.13</u>	<u>886,465.17</u>
Operating Income (Loss)	<u>(250,931.15)</u>	<u>(2,052.88)</u>	<u>(252,984.03)</u>
Nonoperating Revenue (Expense):			
Local Sources:			
Investment Earnings	250.38	120.93	371.31
State Sources:			
Cash Reimbursements	1,510.93		1,510.93
Federal Sources:			
Cash Reimbursements	189,042.10		189,042.10
Donated Food	38,850.27		38,850.27
Total Nonoperating Revenue (Expense)	<u>229,653.68</u>	<u>120.93</u>	<u>229,774.61</u>
Income (Loss) Before Transfers	(21,277.47)	(1,931.95)	(23,209.42)
Transfers (Out)		(120.93)	(120.93)
Change in Net Position	(21,277.47)	(2,052.88)	(23,330.35)
Net Position - Beginning	<u>389,184.55</u>	<u>131,112.36</u>	<u>520,296.91</u>
NET POSITION - ENDING	<u>\$ 367,907.08</u>	<u>\$ 129,059.48</u>	<u>\$ 496,966.56</u>

The attached notes are an integral part of these financial statements.

WEST CENTRAL SCHOOL DISTRICT NO. 49-7
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Enterprise Funds</u>		
	<u>Food Service Fund</u>	<u>Community Activities Fund</u>	<u>Total Proprietary Funds</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 493,345.90	\$ 171,712.25	\$ 665,058.15
Payments to Suppliers	(336,692.32)	(38,742.63)	(375,434.95)
Payments to Employees	(321,558.17)	(139,719.94)	(461,278.11)
Net Cash Provided (Used) by Operating Activities	<u>(164,904.59)</u>	<u>(6,750.32)</u>	<u>(171,654.91)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Subsidies	193,517.53		193,517.53
Transfers (to) /from Other Funds	(22.17)	149.07	126.90
Net Cash Provided from Noncapital Financing Activities	<u>193,495.36</u>	<u>149.07</u>	<u>193,644.43</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of Capital Assets	(17,424.12)		(17,424.12)
Net Cash Used in Capital and Related Financing Activities	<u>(17,424.12)</u>		<u>(17,424.12)</u>
Cash Flows from Investing Activities:			
Cash Received for Interest	250.38	120.93	371.31
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 11,417.03</u>	<u>\$ (6,480.32)</u>	<u>\$ 4,936.71</u>
Cash and Cash Equivalents at Beginning of Year	\$ 225,397.41	\$ 139,846.93	\$ 365,244.34
Cash and Cash Equivalents at End of Year	<u>236,814.44</u>	<u>133,366.61</u>	<u>370,181.05</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 11,417.03</u>	<u>\$ (6,480.32)</u>	<u>\$ 4,936.71</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$(250,931.15)	\$ (2,052.88)	\$(252,984.03)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	17,414.59		17,414.59
Value of Commodities Used	36,638.30		36,638.30
Change in Assets and Liabilities:			
Inventories (Not including Commodities)	1,379.03		1,379.03
Receivables	25,706.91	360.00	26,066.91
Prepays	550.00		550.00
Accounts and Other Payables	(128.58)	(2,714.82)	(2,843.40)
Accrued Wages and Benefits Payable	(1,043.79)	(2,342.62)	(3,386.41)
Unearned Revenue	5,510.10		5,510.10
Net Cash Provided (Used) by Operating Activities	<u>\$(164,904.59)</u>	<u>\$ (6,750.32)</u>	<u>\$(171,654.91)</u>
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	\$ 38,850.27		

The attached notes are an integral part of these financial statements.

**WEST CENTRAL SCHOOL DISTRICT NO. 49-7
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS:		
Cash and Cash Equivalents	\$ 2,514.19	\$142,597.12
Investments	<u>7,710.31</u>	<u> </u>
Accounts Receivable	<u> </u>	<u> </u>
TOTAL ASSETS	<u>10,224.50</u>	<u>142,597.12</u>
LIABILITIES:		
Accounts Payable	<u> </u>	585.00
Amounts Held for Others	<u> </u>	<u>142,012.12</u>
Total Liabilities	<u> </u>	<u>\$142,597.12</u>
NET POSITION		
Held in Trust for Scholarships	<u>\$ 10,224.50</u>	

The attached notes are an integral part of these financial statements.

**WEST CENTRAL SCHOOL DISTRICT NO. 49-7
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Private- Purpose Trust Funds</u>
ADDITIONS:	
Contributions and Donations	\$ 100.00
Other Additions	<u>110.77</u>
Total Additions	<u>210.77</u>
DEDUCTIONS:	
Trust Deductions for Scholarships	<u>500.00</u>
Total Deductions	<u>500.00</u>
Change in Net Position	(289.23)
Net Position - Beginning	<u>10,513.73</u>
 NET POSITION - ENDING	 <u><u>\$ 10,224.50</u></u>

The attached notes are an integral part of these financial statements.

WEST CENTRAL SCHOOL DISTRICT NO. 49-7
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity

The reporting entity of West Central School District No. 49-7, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation

Government-Wide Financial Statements:

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

The Statement of Net Position reports all financial and capital resources, in a net position form (assets and deferred outflows of resources minus liabilities and deferred inflows of resources equal net position). Net position are displayed in three components, as applicable, net investment in capital, 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 the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

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

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

1. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting 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 Law (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding capital outlay fund and special education fund expenditures. The General Fund is always a major Fund.

Special Revenue Fund - Special revenue funds are used to account for and report 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 who reside within the 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 contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is a major fund.

Debt Service Funds - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The Bond Redemption Fund – A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. The Bond Redemption Fund is the only debt service fund maintained by the School District. This is a major fund.

Capital Projects Funds – capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

The Capital Projects Fund is the only fund of its kind maintained by the School District. 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 or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met.

- a. 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 of the activity 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..
- b. 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.
- c. 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.

Community Activities Fund – A fund used to record financial transactions related to after school services, community education, and recreation programs. This fund is financed by user charges and grants. This is a major fund.

Fiduciary Funds:

Fiduciary Funds consist of the following sub-categories and 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, and other governments. The School District maintains the following private-purpose trust funds:

David Roe Memorial Fund
Drymalski Scholarship Fund
West Central Board Scholarship Fund

They are used for the purpose of providing scholarships to students.

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 agency funds to hold assets as an agent in a trustee capacity or various classes, clubs, and so on.

c. Measurement Focus and Basis of Accounting

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

Measurement Focus:*Government-Wide Financial Statements:*

In the Government-Wide Statement of Net Position and Statement of Activities, 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 fund types.

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 West Central School District No. 49-7, the length of that cycle is 60 days.

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

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

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

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 activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

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

2. In order to minimize the doubling-up effect on internal service fund activity, certain “centralized expenses” including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the General Fund, so that expenses are reported only in the function to which they relate.

e. 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 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.

f. Capital Assets

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

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

Government-Wide Statements:

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

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

The total June 30, 2015 balance of capital assets for governmental activities includes approximately 0.33 percent for which costs were determined by estimates of the original costs. The total June 30, 2015 balance of capital assets for business-type activities includes approximately 1.73 percent for which the values were determined by estimates of the original costs. These estimated original costs were established by deflated current replacement cost.

Depreciation of all exhaustible fixed 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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 100.00	NA	NA
Improvements/Buildings	5,000.00	Straight Line	10-50 years
Machinery and Equipment	2,000.00	Straight Line	5-20 years
Food Service Machinery and Equipment	1,000.00	Straight Line	12 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

g. Long-Term Liabilities

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of compensated absences, early retirement benefits payable, capital outlay certificates payable, general obligation bonds payable, computer capital lease, and other postemployment benefits.

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

h. Program Revenues

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

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

i. Proprietary Funds Revenue and Expense Classifications

In the proprietary fund's Statement of Revenues, Expenses, and Changes in Fund Net Position, 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.

j. Cash and Cash Equivalents

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

k. Equity Classifications

Government-Wide Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance and 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.

l. 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.

m. Deferred Inflows and Deferred Outflows of Resources:

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that

applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

n. 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 classified governmental fund balances as follows:

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

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

The School District has not adopted a formal minimum fund balance policy.

WEST CENTRAL SCHOOL DISTRICT NO. 49-7
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
Fund Balance:						
Nonspendable:						
Prepaid Items	\$ 90,037.03	\$ 132,248.00	\$	\$	\$	\$ 222,285.03
Inventory	12,878.84					12,878.84
Restricted for:						
Capital Outlay		565,527.10				565,527.10
Special Education			172,422.06			172,422.06
Pension				518,523.81		518,523.81
Debt Service					273,499.23	273,499.23
Assigned for:						
Next Year's Budget	890,496.00					890,496.00
Unassigned:	<u>1,257,704.78</u>					<u>1,257,704.78</u>
Total Fund Balances	<u>\$ 2,251,116.65</u>	<u>\$ 697,775.10</u>	<u>\$ 172,422.06</u>	<u>\$ 518,523.81</u>	<u>\$ 273,499.23</u>	<u>\$ 3,913,336.85</u>

o. 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.

NOTE 2 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

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.

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) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires that investments 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.

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

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

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.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from investments to the General Fund, except for the Private-Purpose Trust Fund, which retains the investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported 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.

NOTE 3 - RECEIVABLES AND PAYABLE

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. No allowance has been made for estimated uncollectible amounts.

NOTE 4 - INVENTORY

Inventory of the Food Service proprietary fund is stated at weighted average cost. In the Food Service Fund, donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

In the government-wide and proprietary fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the governmental fund financial statements, inventories 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 position.

NOTE 5 - PROPERTY TAXES

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

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

NOTE 6 - CHANGES IN CAPITAL ASSETS

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

Primary Government	Balance <u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2015</u>
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 325,172.32	\$	\$	\$ 325,172.32
Construction Work in Progress	<u>64,788.34</u>	<u>804,090.62</u>	<u>49,421.04</u>	<u>819,457.92</u>
Total, not being depreciated	<u>389,960.66</u>	<u>804,090.62</u>	<u>49,421.04</u>	<u>1,144,630.24</u>
Capital Assets, being depreciated				
Buildings	25,144,670.64	108,641.84		25,253,312.48
Improvements	1,312,077.24	13,801.05		1,325,878.29
Machinery and Equipment	3,097,964.12	187,607.21	53,763.00	3,231,808.33
Library Books	<u>247,935.52</u>	<u>23,802.78</u>	<u>24,788.60</u>	<u>246,949.70</u>
Total, being depreciated	<u>29,802,647.52</u>	<u>333,852.88</u>	<u>78,551.60</u>	<u>30,057,948.80</u>
Less Accumulated Depreciation:				
Buildings	5,800,898.36	523,340.93		6,324,239.29
Improvements	597,984.26	75,697.94		673,682.20
Machinery and Equipment	1,825,220.06	218,252.68	50,969.40	1,992,503.34
Library Books	<u>100,272.39</u>	<u>12,152.91</u>	<u>24,788.60</u>	<u>87,636.70</u>
Total Accumulated Depreciation	<u>8,324,375.07</u>	<u>829,444.46</u>	<u>75,758.00</u>	<u>9,078,061.53</u>
Total Capital Assets, being depreciated, net	<u>21,478,272.45</u>	<u>(495,591.58)</u>	<u>2,793.60</u>	<u>20,979,887.27</u>
Governmental Activity Capital Assets, net	<u>\$ 21,868,233.11</u>	<u>\$ 308,499.04</u>	<u>\$ 52,214.64</u>	<u>\$ 22,124,517.51</u>

**Depreciation expense was charged to functions as follows:

Governmental Activities:		
Instruction		\$ 319,504.78
Support Services		286,728.24
Cocurricular		191,299.36
Library		12,152.91
Unallocated		<u>19,759.17</u>
Total Depreciation Expense-Governmental Activities		<u>\$ 829,444.46</u>

Business - Type Activities:

	Balance <u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2015</u>
Capital Assets, being depreciated:				
Machinery and Equipment	\$ 329,941.76	\$ 17,424.12	\$	\$ 347,365.88
Less Accumulated Depreciation:				
Machinery and Equipment	<u>193,573.46</u>	<u>17,414.59</u>		<u>210,988.05</u>
Business-type activity capital assets, net	<u>\$ 136,368.30</u>	<u>\$ 9.53</u>	<u>\$</u>	<u>\$ 136,377.83</u>

**Depreciation expense was charged to functions as follows:

Business-type Activities		
Food Service		<u>\$ 17,414.59</u>

Construction Work In Progress at June 30, 2015 is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended Thru 6/30/15</u>	<u>Committed</u>
Humboldt Elementary Addition	\$ 877,492.34	\$ 819,457.92	\$ 58,034.42

NOTE 7 - LONG -TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 8,590,000	\$	\$ 695,000	\$ 7,895,000	\$ 485,000
Capital Outlay Certificates	7,325,000		400,000	6,925,000	510,000
Capital Lease	345,748			345,748	112,534
Early Retirement Payable - Governmental Funds	223,448		70,657	152,791	55,400
Accrued Compensated Absences - Governmental Funds	25,884	32,855	25,884	32,855	32,855
Other Postemployment Benefits	271,420	84,640	16,483	339,577	
Total Governmental Activities	<u>\$ 16,781,500</u>	<u>\$ 117,495</u>	<u>\$ 1,208,024</u>	<u>\$ 15,690,971</u>	<u>\$ 1,195,789</u>

Compensated absences for governmental activities typically have been liquidated from the General Fund. Early retirement benefits payable for governmental activities typically have been liquidated from the Pension Fund. Other Postemployment benefits typically have been liquidated from the General Fund.

The annual debt service requirements to maturity for all debt outstanding, other than compensated absences, early retirement and OPEB, as of June 30, 2015 are as follows:

Year	<u>General Obligation Bonds</u>		<u>Capital Outlay Certificates</u>		<u>Capital Lease</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Ending 2016	\$ 485,000	\$ 217,523	\$ 510,000	\$ 301,822	\$ 112,534	\$ 7,466	\$ 1,107,534	\$ 526,811
2017	520,000	207,473	535,000	276,401	115,490	4,510	1,170,490	488,384
2018	545,000	196,550	545,000	260,846	117,724	2,276	1,207,724	459,672
2019	570,000	184,130	560,000	243,146			1,130,000	427,276
2020	600,000	169,782	575,000	223,316			1,175,000	393,098
2021-2025	3,500,000	562,896	2,230,000	798,341			5,730,000	1,361,237
2026-2030	1,675,000	56,662	1,970,000	292,239			3,645,000	348,901
Total	<u>\$ 7,895,000</u>	<u>\$ 1,595,016</u>	<u>\$ 6,925,000</u>	<u>\$ 2,396,111</u>	<u>\$ 345,748</u>	<u>\$ 14,252</u>	<u>\$ 15,165,748</u>	<u>\$ 4,005,379</u>

Liabilities payable at June 30, 2015 are comprised of the following:

General Obligation Bonds Payable:

Series 2010 General Obligation Refunding Bonds issued to refund the Series 2006 General Obligation Refunding Bonds. Payments are due annually through December 15, 2026. Interest rates at 2.00 percent to 3.35 percent, depending on term to maturity of the related principal payment. Payments are to be made from the Debt Service Fund. \$ 7,895,000

Capital Outlay Certificates Payable:

Series 2010 Refunding Capital Outlay Certificates is due annually through August 15, 2021 Interest at 2.00 percent to 3.00 percent depending on term to maturity of the related principal payment. Payments are to be made from the Capital Outlay Fund. 1,925,000

Series 2010 Refunding Capital Outlay Certificates is due annually through July 15, 2029. Interest at 2.48 percent to 6.15 percent depending on term to maturity of the related principal payment. Payments are to be made from the Capital Outlay Fund. 4,200,000

Series 2014 Limited Tax Capital Outlay Certificates is due annually through July 15, 2029. Interest at 1.2 percent to 3.8 percent depending on term to maturity of the related principal payment. Payments are to be made from the Capital Outlay Fund. 800,000

Financing (Capital Acquisition) Lease:

Apple Inc, Capital Lease for computer equipment is due annually through July 10, 2017 at 1.93 percent interest. Payments are to be made from the Capital Outlay Fund. 345,748

Other Postemployment Benefits

Obligation to individuals who are retired or will retire from the School District and will receive postemployment benefits. Payments are made from the General Fund. 339,577

Early Retirement Payable:

Early Retirement payments consist of seventy percent of the retiree's last year's contract. Payments are made annually over a five year period from the Pension Fund. 152,791

Compensated Absences:

Compensated Absences represent the amount of vacation leave that is outstanding. Payments are to be made from the fund that payroll expenditures/expenses are charged to. 32,856

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

	Apple, Inc.
	Computer
	<u>Lease</u>
Principal	\$ 583,159.47
Interest	<u>14,252.28</u>
Total	<u>\$ 597,411.75</u>

NOTE 8 - INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS

Interfund receivable and payable balances at June 30, 2015 were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 46,187.12	\$ 3,389.55
Capital Outlay Fund		34,977.84
Special Education Fund		80.30
Pension Fund		10,858.98
Debt Service Fund	3,139.17	
Food Service Fund	250.38	
Community Activities Fund		270.00
Total	<u>\$ 49,576.67</u>	<u>\$ 49,576.67</u>

The School District shares certain costs between funds. At year-end the amount due for shared costs was set up as a receivable/payable.

NOTE 9 - RESTRICTED NET POSITION

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

<u>Major Purposes:</u>	<u>Restricted by</u>	<u>Amount</u>
Capital Outlay Purposes	Law	\$ 231,746.68
Special Education Purposes	Law	181,808.57
Pension Purposes	Law	367,787.13
Debt Service Purposes	Debt Covenants	277,941.99
SDRS Pension Purposes	Law	1,719,315.14
Total Restricted Net Position		<u>\$ 2,778,599.51</u>

NOTE 10 - INTERFUND TRANSFERS

		<u>Transfers to:</u>
<u>Transfers from:</u>	<u>General Fund</u>	
Capital Outlay Fund	\$	161.04
Special Education Fund		143.93
Pension Fund		489.06
Capital Projects Fund		478.15
Community Activities Fund		120.93
Total	<u>\$</u>	<u>1,393.11</u>

The School District typically uses transfers to transfer earnings on deposits and investments from the governmental funds and the enterprise funds to the General Fund.

NOTE 11 – PRIOR PERIOD ADJUSTMENT

The School District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension*

Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68. As a result, beginning net position has been restated to reflect the related net pension asset and deferred outflows of resources as of July 1, 2014 as follows:

Net Position July 1, 2014, as previously reported	\$ 439,063.64
Restatement for pension accounting:	
Net Pension Asset	914,569.64
Pension related Deferred Outflows of Resources	<u>365,681.86</u>
Net Position July 1, 2014, as restated	<u>\$ 1,719,315.14</u>

NOTE 12 – PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivors' benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 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 one each July 1 is indexed to the consumer price index (CPI) based on SDRS funded status:

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members,

6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2015, 2014, and 2013 were \$365,681.86, \$340,349.06, and \$316,734.85, respectively, equal to the required contributions each year.

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

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

Proportionate share of net position restricted for pension benefits	\$ 34,408,604.93
Less proportionate share of total pension assets	<u>32,071,591.94</u>
Proportionate share of net pension asset	<u><u>\$ 2,337,012.99</u></u>

At June 30 2015, the School District reported an asset of \$2,337,012.99 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014 and the total pension asset used to calculate the net pension asset was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2014, the School District's proportion was .3243783%, which is an increase of .3243783% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension revenue of \$98,714.56. At June 30, 2015 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 197,742.90	\$
Changes in assumption	1,525,532.41	
Net difference between projected and actual earnings on pension plan investments		2,706,655.03
District contributions subsequent to the measurement date	<u>365,681.86</u>	
TOTAL	<u><u>\$ 2,088,957.17</u></u>	<u><u>\$ 2,706,655.03</u></u>

\$365,681.86 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:

2015	\$	(185,702.13)
2016		(185,702.13)
2017		(185,702.13)
2018		(426,273.33)
TOTAL	\$	<u>(983,379.72)</u>

Actuarial Assumptions:

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

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	64.0%	4.7%
Fixed Income	26.0%	1.8%
Real Estate	8.0%	5.5%
Cash	<u>2.0%</u>	0.8%
Total	<u>100.0%</u>	

Discount Rate:

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

on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 2,309,408.40	\$ (2,337,012.99)	\$ (6,126,654.61)

Pension Plan Fiduciary Net Position:

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

NOTE 13 - POSTEMPLOYMENT MEDICAL PLAN

Plan Description: West Central School District has a single-employer defined benefit medical plan administered by Sanford Health of South Dakota. This plan provides medical insurance benefits to eligible current employees, as well as retirees meeting eligibility requirements. After eligibility for retiree benefits is established, retirees must pay premiums until they are eligible for Medicare. SDCL 6-1-16 specifically allows any school district to provide health insurance for retiring employees and their immediate families. The liability exists because of an implicit subsidy of costs of the benefits to retirees of the district. The Sanford Health Plan issues an actuarial report that includes required supplementary information. That report may be obtained by writing to the West Central School District, 705 E. 2nd Street PO Box 730 Hartford, SD 57033 Phone # (605) 528-3217.

Funding Policy: The district funds the postemployment benefits on a pay-as-you-go basis. Because the district does not use a trust fund to administer the financing of other postemployment benefits, no separate financial statements are required.

Annual OPEB Cost and Net OPEB Obligation: The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School District's net OPEB obligation to the plan:

Annual required contribution	\$ 89,941
Interest on net OPEB obligation	8,143
Adjustment to annual required contribution	<u>(13,444)</u>
Annual OPEB cost (expense)	84,640
Contributions made	<u>(16,483)</u>
Increase in net OPEB obligation	68,157
Net OPEB obligation - beginning of year	<u>271,420</u>
Net OPEB obligation - end of year	<u>\$ 339,577</u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year 2015 and the preceding two years was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2013	\$ 73,069	40.6%	\$ 221,362
6/30/2014	73,954	32.3%	271,420
6/30/2015	84,640	19.5%	339,577

Funded Status and Funding Progress: As of June 30, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$630,611, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$630,611.

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

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015, actuarial valuation, the Unit Credit Actuarial Cost Method was used. The actuarial assumptions include a 4 percent rate of return and an annual healthcare cost trend rate of 5.9 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after 45 years. Both rates include a 2.0 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis over a period of 30 years.

NOTE 14 - JOINT VENTURES

The School District participates in the joint venture known as the East Dakota Educational Cooperative formed for the purpose of providing various educational services to the member school districts.

The members of the co-op and their relative percentage participation in the co-op are as follows:

Lennox School District No. 41-1	17.3%
Brandon Valley School District No. 49-2	60.5%
West Central School District No. 49-7	22.2%

The Coop's governing board is composed of one representative from each member school district, who is a school board member and one member from the East Dakota Foundation. The board is

responsible for adopting the Coop's budget and setting service fees at a level adequate to fund the adopted budget.

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

At June 30, 2015, this joint venture had total assets of \$2,148,235.37, total liabilities of \$44,733.17 and total net position of \$2,103,502.20.

Separate financial statements for this joint venture are available from the East Dakota Educational Cooperative.

NOTE 15 - EARLY RETIREMENT PLAN

The district maintains an early retirement plan for certified teachers and administrators. The plan is available to employees who choose early retirement over the ages of 55 and have at least thirteen years of continuous service with the district in a certified position. Under the plan, the district will pay up to 75% of the current salary contract. Such amounts are payable in equal installments, spread over the next five years. Payments made for early retirement during the year were \$70,656.63. At year-end, there were seven employees participating in the program with an amount of \$152,790.98 payable to them over the next five years.

NOTE 16 - RISK MANAGEMENT

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

Employee Health Insurance:

The School District joined the South Dakota School District's Health Benefits Fund administered by Sanford Health. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from its members. There is no lifetime maximum payment per person.

Liability Insurance:

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

Worker's Compensation:

The School District purchases liability insurance for worker's compensation from a commercial carrier.

Unemployment Benefits:

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

The School District has not assigned any Fund Balance in the General Fund for the payment of future unemployment benefits.

During the year ended June 30, 2015, no claims for unemployment benefits were paid. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

NOTE 17 - SIGNIFICANT CONTINGENCIES – LITIGATION

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

**REQUIRED SUPPLEMENTARY INFORMATION
WEST CENTRAL SCHOOL DISTRICT NO. 49-7
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u> <u>Basis)</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 2,037,186.00	\$ 2,037,186.00	\$ 2,137,219.57	\$ 100,033.57
Prior Years' Ad Valorem Taxes	32,000.00	32,000.00	24,220.49	(7,779.51)
Tax Deed Revenue			388.66	388.66
Utility Taxes	305,000.00	305,000.00	312,419.52	7,419.52
Penalty & Interest on Taxes	7,800.00	7,800.00	5,643.80	(2,156.20)
Tuition and Fees:				
Regular Day School Transportation Fees	12,500.00	12,500.00	13,015.00	515.00
Earnings on Investments and Deposits	5,000.00	5,000.00	2,116.04	(2,883.96)
Cocurricular Activities:				
Admissions	57,500.00	57,500.00	57,355.59	(144.41)
Rentals	800.00	800.00	1,115.00	315.00
Other Pupil Activity Income	34,200.00	34,200.00	27,820.54	(6,379.46)
Other Revenue from Local Sources:				
Rentals	2,000.00	2,000.00	1,245.00	(755.00)
Contributions and Donations	4,000.00	4,000.00	5,163.14	1,163.14
Charges for Services	35,000.00	35,000.00	13,547.46	(21,452.54)
Other	52,000.00	52,000.00	89,919.88	37,919.88
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	68,000.00	68,000.00	59,642.22	(8,357.78)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	4,803,406.00	4,803,406.00	4,565,017.71	(238,388.29)
Restricted Grants-in-Aid			21,750.00	21,750.00
Tuition:				
Regular	111,472.00	111,472.00	196,690.66	85,218.66
Other State Revenue	2,500.00	2,500.00	4,545.00	2,045.00
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received from Federal Government Through an Intermediate Source	2,000.00	2,000.00	3,947.88	1,947.88
Restricted Grants-in-Aid Received from Federal Government Through the State	181,840.00	181,840.00	185,007.00	3,167.00
Other Federal Revenue	15,000.00	15,000.00		(15,000.00)
Total Revenue	<u>7,769,204.00</u>	<u>7,769,204.00</u>	<u>7,727,790.16</u>	<u>(41,413.84)</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	1,794,264.00	1,801,239.00	1,777,378.06	23,860.94
Middle/Junior High	890,244.00	892,524.00	872,469.54	20,054.46
High School	1,166,072.00	1,174,072.00	1,161,654.14	12,417.86
Special Programs:				

**REQUIRED SUPPLEMENTARY INFORMATION
WEST CENTRAL SCHOOL DISTRICT NO. 49-7
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Gifted and Talented	27,201.00	27,201.00	25,993.68	1,207.32
Culturally Different	10,561.00	10,961.00	10,818.64	142.36
Educationally Deprived	279,736.00	279,736.00	292,755.57	(13,019.57)
Alternative Settings	172,422.00	172,422.00	129,697.73	42,724.27
Support Services:				
Pupils:				
Attendance & Social Work	8,000.00	8,000.00	8,000.00	
Guidance	249,799.00	251,699.00	225,633.87	26,065.13
Health	36,977.00	36,977.00	31,241.14	5,735.86
Instructional Staff:				
Improvement of Instruction	235,660.00	268,660.00	239,026.46	29,633.54
Educational Media	396,817.00	399,317.00	405,887.25	(6,570.25)
General Administration:				
Board of Education	80,382.00	94,882.00	90,989.02	3,892.98
Executive Administration	184,707.00	184,707.00	179,619.68	5,087.32
School Administration:				
Office of the Principal	518,848.00	518,848.00	503,493.13	15,354.87
Other	108,088.00	109,288.00	104,122.27	5,165.73
Business:				
Fiscal Services	211,598.00	211,598.00	208,523.81	3,074.19
Operation and Maintenance of Facilities	1,259,087.00	1,274,087.00	1,232,209.99	41,877.01
Pupil Transportation	441,429.00	441,429.00	388,077.80	53,351.20
Central:				
Information	21,432.00	21,432.00	14,950.47	6,481.53
Staff	10,945.00	10,945.00	1,818.79	9,126.21
Nonprogrammed Charges:				
Unemployment	4,100.00	4,100.00		4,100.00
Cocurricular Activities:				
Male Activities	92,122.00	92,122.00	85,081.77	7,040.23
Female Activities	94,959.00	94,959.00	84,633.67	10,325.33
Transportation	23,057.00	26,557.00	23,443.33	3,113.67
Combined Activities	150,121.00	156,121.00	139,891.22	16,229.78
Total Expenditures	<u>8,468,628.00</u>	<u>8,563,883.00</u>	<u>8,237,411.03</u>	<u>326,471.97</u>
Excess of Revenue Over (Under) Expenditures	(699,424.00)	(794,679.00)	(509,620.87)	285,058.13
Other Financing Sources (Uses):				
Transfer In	<u>2,500.00</u>		<u>1,393.11</u>	<u>1,393.11</u>
Net Change in Fund Balances	(696,924.00)	(794,679.00)	(508,227.76)	286,451.24
Increase/(Decrease) in Reserve for Inventory			(181.27)	(181.27)
Fund Balance - Beginning	<u>2,759,525.68</u>	<u>2,759,525.68</u>	<u>2,759,525.68</u>	
FUND BALANCE - ENDING	<u>\$ 2,062,601.68</u>	<u>\$ 1,964,846.68</u>	<u>\$ 2,251,116.65</u>	<u>\$ 286,269.97</u>

**REQUIRED SUPPLEMENTARY INFORMATION
WEST CENTRAL SCHOOL DISTRICT NO. 49-7
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,374,800.00	\$ 1,374,800.00	\$ 1,447,951.55	\$ 73,151.55
Prior Years' Ad Valorem Taxes	15,000.00	15,000.00	12,401.34	(2,598.66)
Tax Deed Revenue			126.19	126.19
Penalty & Interest on Taxes	3,000.00	3,000.00	3,213.71	213.71
Earnings on Investments and Deposits			161.04	161.04
Other Revenue from Local Sources:				
Contributions & Donations	15,000.00	15,000.00	11,252.00	(3,748.00)
Revenue from Federal Sources:				
Unrestricted Grants-in-Aid Received from Federal Government Through Intermediate Source			32,456.00	32,456.00
Other Federal Revenue	<u>74,700.00</u>	<u>74,700.00</u>	<u>74,322.93</u>	<u>(377.07)</u>
Total Revenue	<u>1,482,500.00</u>	<u>1,482,500.00</u>	<u>1,581,884.76</u>	<u>99,384.76</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	29,700.00	29,700.00	28,602.18	1,097.82
Middle/Junior High	56,000.00	56,000.00	46,393.93	9,606.07
High School	75,900.00	106,600.00	106,538.02	61.98
Support Services:				
Instructional Staff:				
Educational Media	35,500.00	35,500.00	15,088.56	20,411.44
Business:				
Fiscal Services		7,600.00	7,565.00	35.00
Facilities Acquisition and Construction	165,300.00	165,300.00	149,357.40	15,942.60
Operation and Maintenance of Plant	75,000.00	77,500.00	81,850.13	(4,350.13)
Pupil Transportation	40,000.00	40,000.00	37,944.00	2,056.00
Debt Services	680,000.00	682,000.00	681,603.88	396.12
Cocurricular Activities:				
Male Activities	6,850.00	6,850.00	8,684.83	(1,834.83)
Female Activities	10,000.00	10,000.00	13,728.20	(3,728.20)
Combined Activities	<u>72,250.00</u>	<u>80,250.00</u>	<u>62,968.72</u>	<u>17,281.28</u>
Total Expenditures	<u>1,246,500.00</u>	<u>1,297,300.00</u>	<u>1,240,324.85</u>	<u>56,975.15</u>
Excess of Revenue Over (Under) Expenditures	236,000.00	185,200.00	341,559.91	156,359.91
Other Financing Sources (Uses):				
Transfer Out			<u>(161.04)</u>	<u>(161.04)</u>
Net Change in Fund Balances	236,000.00	185,200.00	341,398.87	156,198.87
Fund Balance - Beginning	<u>356,376.23</u>	<u>356,376.23</u>	<u>356,376.23</u>	
FUND BALANCE - ENDING	<u>\$ 592,376.23</u>	<u>\$ 541,576.23</u>	<u>\$ 697,775.10</u>	<u>\$ 156,198.87</u>

**REQUIRED SUPPLEMENTARY INFORMATION
WEST CENTRAL SCHOOL DISTRICT NO. 49-7
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	(Budgetary Basis)	Favorable (Unfavorable)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 648,021.00	\$ 648,021.00	\$ 698,083.75	\$ 50,062.75
Prior Years' Ad Valorem Taxes	6,000.00	6,000.00	5,799.54	(200.46)
Tax Deed Revenue			59.02	59.02
Penalty & Interest on Taxes	1,000.00	1,000.00	1,508.93	508.93
Earnings on Investments and Deposits			143.93	143.93
Food Service	3,000.00	3,000.00	355.25	(2,644.75)
Other Revenue from Local Sources:				
Charges for Services	15,000.00	15,000.00	22,407.57	7,407.57
Revenue from State Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid	357,994.00	357,994.00	348,465.00	(9,529.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received from Federal Government Through an Intermediate Source			2,556.41	2,556.41
Restricted Grants-in-Aid Received from Federal Government Through the State	<u>273,256.00</u>	<u>273,256.00</u>	<u>273,626.00</u>	<u>370.00</u>
Total Revenue	<u>1,304,271.00</u>	<u>1,304,271.00</u>	<u>1,353,005.40</u>	<u>48,734.40</u>
Expenditures:				
Instruction:				
Special Programs:				
Special Education Programs	1,013,324.00	1,013,324.00	921,098.49	92,225.51
Support Services:				
Pupils:				
Health	14,808.00	17,808.00	16,874.76	933.24
Psychological	68,375.00	68,375.00	62,430.71	5,944.29
Speech Pathology	94,951.00	102,951.00	106,995.13	(4,044.13)
Audiology	1,000.00	1,000.00		1,000.00
Student Therapy Services	131,500.00	131,500.00	92,972.84	38,527.16
Instructional Staff:				
Improvement of Instruction	11,035.00	11,035.00	8,982.22	2,052.78
Special Education:				
Administrative Costs	113,862.00	113,862.00	112,230.96	1,631.04
Transportation Costs	58,226.00	58,226.00	36,694.88	21,531.12
Other Special Education Costs	<u>78,000.00</u>	<u>78,000.00</u>	<u>99,837.03</u>	<u>(21,837.03)</u>
Total Expenditures	<u>1,585,081.00</u>	<u>1,596,081.00</u>	<u>1,458,117.02</u>	<u>137,963.98</u>
Excess of Revenue Over (Under) Expenditures	(280,810.00)	(291,810.00)	(105,111.62)	186,698.38
Other Financing Sources (Uses):				
Transfer Out			(143.93)	(143.93)
Net Change in Fund Balances	(280,810.00)	(291,810.00)	(105,255.55)	186,554.45
Fund Balance - Beginning	<u>277,677.61</u>	<u>277,677.61</u>	<u>277,677.61</u>	
FUND BALANCE - ENDING	<u>\$ (3,132.39)</u>	<u>\$ (14,132.39)</u>	<u>\$ 172,422.06</u>	<u>\$ 186,554.45</u>

**REQUIRED SUPPLEMENTARY INFORMATION
WEST CENTRAL SCHOOL DISTRICT NO. 49-7
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
PENSION FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	(Budgetary	Favorable
			Basis)	(Unfavorable)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 137,509.00	\$ 137,509.00	\$ 144,795.28	\$ 7,286.28
Prior Years' Ad Valorem Taxes	1,500.00	1,500.00	1,240.13	(259.87)
Tax Deed Revenue			12.62	12.62
Penalty & Interest on Taxes	350.00	350.00	321.34	(28.66)
Earnings on Investments and Deposits			489.06	489.06
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received from Federal Government Through an Intermediate Source			546.87	546.87
Total Revenue	<u>139,359.00</u>	<u>139,359.00</u>	<u>147,405.30</u>	<u>8,046.30</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	48,000.00	48,000.00	44,734.64	3,265.36
Middle/Junior High	22,000.00	22,000.00	22,744.30	(744.30)
High School	30,000.00	30,000.00	32,632.76	(2,632.76)
Nonprogrammed Charges:				
Early Retirement Payments	<u>70,657.00</u>	<u>70,657.00</u>	<u>70,656.63</u>	<u>0.37</u>
Total Expenditures	<u>170,657.00</u>	<u>170,657.00</u>	<u>170,768.33</u>	<u>(111.33)</u>
Excess of Revenue Over (Under) Expenditures	(31,298.00)	(31,298.00)	(23,363.03)	7,934.97
Other Financing Sources (Uses):				
Transfer Out			(489.06)	(489.06)
Net Change in Fund Balances	(31,298.00)	(31,298.00)	(23,852.09)	7,445.91
Fund Balance - Beginning	<u>542,375.90</u>	<u>542,375.90</u>	<u>542,375.90</u>	
FUND BALANCE - ENDING	<u>\$ 511,077.90</u>	<u>\$ 511,077.90</u>	<u>\$ 518,523.81</u>	<u>\$ 7,445.91</u>

**REQUIRED SUPPLEMENTARY INFORMATION
WEST CENTRAL SCHOOL DISTRICT NO. 49-7
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AL) - Unit Credit (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2009	\$ 0	\$ 523,018	\$ 523,018	0.0%	N/A	N/A
6/30/2012	0	476,853	476,853	0.0%	2,949,459	16.17%
6/30/2015	0	630,611	630,611	0.0%	3,569,663	17.67%

Schedule of Required Supplementary Information
WEST CENTRAL SCHOOL DISTRICT NO. 49-7
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY (ASSET)
South Dakota Retirement System

	2015
District's proportion of the net pension liability (asset)	0.3243783%
District's proportionate share of net pension liability (asset)	\$ (2,337,013)
District's covered-employee payroll	\$ 5,672,511
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.3%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of the previous fiscal year

Schedule of Required Supplementary Information
WEST CENTRAL SCHOOL DISTRICT NO. 49-7
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS
South Dakota Retirement System

	<u>2014</u>	<u>2015</u>
Contractually required contribution	<u>\$ 340,349</u>	<u>\$ 365,682</u>
Contributions in relation to the contractually required contribution	<u>\$ 340,349</u>	<u>\$ 365,682</u>
Contribution deficiency (excess)	<u>\$ _____</u>	<u>\$ _____</u>
District's covered-employee payroll	\$ 5,672,511	\$ 6,093,485
Contributions as a percentage of covered-employee payroll	6.00%	6.00%

WEST CENTRAL SCHOOL DISTRICT NO. 49-7
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
And for each major Special Revenue Fund with a legally required budget

NOTE 1 - BUDGET AND BUDGETARY ACCOUNTING

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

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

NOTE 2 - GAAP/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 expenditure 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.

**WEST CENTRAL SCHOOL DISTRICT NO. 49-7
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Expenditures FY 2015
US Department of Agriculture:		
Pass-Through the SD Department of Education:		
Child Nutrition Cluster:		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	\$ 36,638.30
Cash Assistance: (Note 2)		
School Breakfast Program	10.553	25,446.32
National School Lunch Program	10.555	161,202.95
Total Child Nutrition Cluster		<u>223,287.57</u>
Child and Adult Care Food Program	10.558	2,392.83
Total US Department of Agriculture		<u>225,680.40</u>
US Department of the Interior:		
Pass-Through Minnehaha County:		
Federal Wetlands P.I.L.T. (Note 2)	15.226	<u>16,130.87</u>
US Department of Education:		
Pass-Through the SD Department of Education:		
Title I Grants to Local Educational Agencies	84.010	107,791.00
Title I State Agency Program for Neglected and Delinquent Childred and Youth	84.013	26,222.00
Improving Teacher Quality State Grants (Title II, Part A)	84.367A	50,994.00
Special Education Cluster: (Note 3)		
Special Education - Grants to States	84.027	262,536.00
Special Education - Preschool Grants	84.173	11,090.00
Total Special Education Cluster		<u>273,626.00</u>
Total US Department of Education		<u>458,633.00</u>
US Department of Transportation		
Pass-Through the SD Department of Transportation:		
Homeland Security Grant	97.067	<u>26,989.56</u>
Grand Total		<u>\$ 727,433.83</u>

WEST CENTRAL SCHOOL DISTRICT NO. 49-7
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 1: The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the school and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in the schedule may differ from accounts presented in, or used in the preparation of, the general-purpose financial statements.

Note 2: Federal reimbursements are not based on specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

Note 3: This represents a major federal financial assistance program.

Note 4: The amount reflects cash received. Federal reimbursements are based on approved rates for services provided rather than reimbursement for specific expenditures.

QUAM & BERGLIN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
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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
West Central School District No. 49-7
Minnehaha 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 the West Central School District No. 49-7, Minnehaha County, South Dakota (School District), as of June 30, 2015 and for the year then ended, 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 29, 2016.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we

do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Quam & Berglin, P.C.

Quam and Berglin, P.C.
Certified Public Accountants
Elk Point, SD

January 29, 2016

QUAM & BERGLIN, P.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

School Board
West Central School District No. 49-7
Minnehaha County, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the West Central School District No. 49-7, Minnehaha County, South Dakota compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2015. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above.

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

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

Opinion on Each Major Federal Program

In our opinion, West Central School District No.49-7 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

Quam & Berglin, P.C.

Quam and Berglin, P.C.
Certified Public Accountants
Elk Point, SD

January 29, 2016

**WEST CENTRAL SCHOOL DISTRICT NO. 49-7
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

PRIOR FEDERAL AUDIT FINDING:

The prior audit report contained no written federal audit findings.

PRIOR OTHER AUDIT FINDINGS:

Audit Finding Number 2014-001:

A material weakness resulting from expenditures exceeding the total amounts budgeted for the Capital Outlay Fund. This finding has since been corrected.

**WEST CENTRAL SCHOOL DISTRICT NO. 49-7
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:

Financial Statements

- a. An unmodified opinion was issued on the financial statements of each opinion unit.
- b. Our audit did not disclose any instances of noncompliance which were material to the financial statements.

Federal Awards

- c. An unmodified opinion was issued on compliance with the requirements applicable to the major programs.
- d. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a).
- e. The federal awards tested as major programs were:

Special Education Cluster:	<u>CFDA#</u>
IDEA Pt B	84.027
IDEA Preschool	84.173

- f. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- g. The district qualified as a low-risk auditee.

**WEST CENTRAL SCHOOL DISTRICT NO. 49-7
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

CURRENT FEDERAL AUDIT FINDINGS:

There are no written current federal compliance audit findings to report.

CURRENT OTHER AUDIT FINDINGS:

There are no written current other audit findings to report.