

**WHITE LAKE SCHOOL DISTRICT NO. 1-3  
OF AURORA COUNTY**

**AUDIT REPORT**

FISCAL YEAR JULY 1, 2014, TO JUNE 30, 2015

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

WHITE LAKE SCHOOL DISTRICT NO. 1-3

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WHITE LAKE SCHOOL DISTRICT NO. 1-3  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2015

BOARD MEMBERS:

Dale Peters – President  
Merlin Konechne – Vice-President  
Barb Beckmann  
Duane Beckman  
Glen Eimers  
Greg Moeller  
Jim Munsen

SUPERINTENDENT:

Robert Schroeder

BUSINESS MANAGER:

Toni Aisenbrey

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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  
White Lake School District No. 1-3  
Aurora 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 White Lake School District No. 1-3, 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 October 27, 2015, which was qualified for the QZAB #3 Debt Service Fund because of not being able to determine earnings on the escrow account.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as item 2015-001 to be a material weakness.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### School District's Response to Findings

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

#### Purpose of this Report

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



Schoenfish & Co., Inc.  
Certified Public Accountants  
October 27, 2015

WHITE LAKE SCHOOL DISTRICT NO. 1-3  
SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS:

Internal Control Over Revenues:

Finding Number 2014-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This comment has not been corrected and is restated as current audit finding number 2015-001.

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WHITE LAKE SCHOOL DISTRICT NO. 1-3  
SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2015-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This is the ninth consecutive audit that this comment has occurred.

Criteria:

Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Condition:

A limited number of employees process all revenue transactions from beginning to end. They also receive money, issue receipts, record receipts, post receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare financial statements.

Effect:

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

Recommendation:

1. We recommend that the White Lake School District officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever, possible and practical.

Management's Response:

The White Lake School District Board President, Dale Peters, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the White Lake School District, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are attempting to provide compensating controls.

CLOSING CONFERENCE

The audit was discussed with one Board Member, the Superintendent, and the Business Manager on October 28, 2015.

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INDEPENDENT AUDITOR'S REPORT

School Board  
White Lake School District No. 1-3  
Aurora 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 White Lake School District No. 1-3, 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 as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

### Basis for Qualified Opinions

The escrow balance for QZAB #3 was part of a bigger escrow account in which many schools were included. As a result, the amount of the school's portion, specifically the earnings on investment of the escrow balance, was not reasonably determinable.

### Qualified Opinions

In our opinion, except for the effects, if any, of not correctly reporting the QZAB #3 escrow balance, as noted in the Basis for Qualified Opinions, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the QZAB #3 Debt Service Fund of the White Lake School District No. 1-3 as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Unqualified Opinions

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, except the QZAB #3 Debt Service Fund, and the aggregate remaining fund information of White Lake School District No. 1-3 as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

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

As described in Note 12 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 Note 12 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 this matter.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the School District's Contributions on pages 39 through 43, 45, and 46, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our

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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.

The School District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2015 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.



Schoenfish & Co., Inc.  
Certified Public Accountants  
October 27, 2015

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**WHITE LAKE SCHOOL DISTRICT NO. 1-3**  
**STATEMENT OF NET POSITION**  
As of June 30, 2015

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b>ASSETS:</b>			
Cash and Cash Equivalents	505,362.91	11,947.07	517,309.98
Investments	1,046,986.46		1,046,986.46
Taxes Receivable	498,043.11		498,043.11
Other Assets	45,981.08	2,871.25	48,852.33
Inventories		5,038.18	5,038.18
Restricted Assets:			
Cash and Cash Equivalents	505,837.67		505,837.67
Net Pension Asset	369,248.26		369,248.26
Capital Assets:			
Land	4,993.30		4,993.30
Other Capital Assets, Net of Depreciation	570,755.46	12,447.43	583,202.89
<b>TOTAL ASSETS</b>	<b>3,547,208.25</b>	<b>32,303.93</b>	<b>3,579,512.18</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	325,770.13		325,770.13
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>325,770.13</b>	<b>0.00</b>	<b>325,770.13</b>
<b>LIABILITIES :</b>			
Accounts Payable	1,150.00		1,150.00
Other Current Liabilities	96,626.22	1,020.00	97,646.22
Noncurrent Liabilities:			
Due Within One Year	129,000.00		129,000.00
Due in More than One Year	511,053.50		511,053.50
<b>TOTAL LIABILITIES</b>	<b>737,829.72</b>	<b>1,020.00</b>	<b>738,849.72</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Taxes Levied for Future Period	498,043.11		498,043.11
Pension Related Deferred Inflows	427,651.73		427,651.73
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>925,694.84</b>	<b>0.00</b>	<b>925,694.84</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	(49,251.24)	12,447.43	(36,803.81)
Restricted for:			
Capital Outlay Purposes	518,238.06		518,238.06
Special Education Purposes	308,661.30		308,661.30
Pension Purposes	3,533.35		3,533.35
SDRS Pension Purposes	267,366.66		267,366.66
Debt Service Purposes	505,837.67		505,837.67
Unrestricted (Deficit)	655,068.02	18,836.50	673,904.52
<b>TOTAL NET POSITION</b>	<b>2,209,453.82</b>	<b>31,283.93</b>	<b>2,240,737.75</b>

The notes to the financial statements are an integral part of this statement.

**WHITE LAKE SCHOOL DISTRICT NO. 1-3**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
Instruction	797,816.12		48,457.00		(749,359.12)		(749,359.12)
Support Services	507,548.60	3,351.15	3,000.00		(501,197.45)		(501,197.45)
*Interest on Long-Term Debt	325.00				(325.00)		(325.00)
Cocurricular Activities	78,316.09	13,796.62			(64,519.47)		(64,519.47)
<b>Total Governmental Activities</b>	<b>1,384,005.81</b>	<b>17,147.77</b>	<b>51,457.00</b>	<b>0.00</b>	<b>(1,315,401.04)</b>		<b>(1,315,401.04)</b>
Business-type Activities:							
Food Service	99,292.71	38,149.65	52,006.03			(9,137.03)	(9,137.03)
After School Fund	17,609.33	2,242.50	16,314.01			947.18	947.18
<b>Total Business-type Activities</b>	<b>116,902.04</b>	<b>40,392.15</b>	<b>68,320.04</b>	<b>0.00</b>		<b>(8,189.85)</b>	<b>(8,189.85)</b>
<b>Total Primary Government</b>	<b>1,500,907.85</b>	<b>57,539.92</b>	<b>119,777.04</b>	<b>0.00</b>	<b>(1,315,401.04)</b>	<b>(8,189.85)</b>	<b>(1,323,590.89)</b>

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

**General Revenues:**

Taxes:		
Property Taxes	1,073,345.32	1,073,345.32
Utility Taxes	36,840.08	36,840.08
Revenue from State Sources:		
State Aid	436,053.14	436,053.14
Unrestricted Investment Earnings	41,071.19	41,071.19
Other General Revenues	88,144.76	88,144.76
Transfers	(13,819.55)	13,819.55
<b>Total General Revenues and Transfers</b>	<b>1,661,634.94</b>	<b>1,675,454.49</b>
<b>Change in Net Position</b>	<b>346,233.90</b>	<b>351,863.60</b>
<b>Net Position - Beginning</b>	<b>1,664,942.65</b>	<b>1,690,596.88</b>
Adjustments:		
Implementation of GASB 68 - See Note 12	198,277.27	198,277.27
<b>Restated Net Position - Beginning</b>	<b>1,863,219.92</b>	<b>1,888,874.15</b>
<b>NET POSITION - ENDING</b>	<b>2,209,453.82</b>	<b>2,240,737.75</b>

The notes to the financial statements are an integral part of this financial statement.

**WHITE LAKE SCHOOL DISTRICT 1-3  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of June 30, 2015**

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	QZAB #1 Debt Service Fund	QZAB #2 Debt Service Fund	QZAB #3 Debt Service Fund	Total Governmental Funds
<b>ASSETS:</b>								
Cash and Cash Equivalents	280,968.74	149,899.85	68,960.97	3,533.35				503,362.91
Advanced Payments	2,000.00							2,000.00
Investments	438,437.92	368,338.21	240,210.33					1,046,986.46
Taxes Receivable--Current	260,473.03	154,038.48	60,638.31	19,984.30				495,134.12
Taxes Receivable--Delinquent	2,191.42	355.67	289.43	72.47				2,908.99
Accounts Receivable, Net	25.00							25.00
Due from Other Government	45,956.08							45,956.08
Restricted Cash and Cash Equivalents					115,949.89	242,920.57	146,967.21	505,837.67
<b>TOTAL ASSETS</b>	<b>1,030,052.19</b>	<b>672,632.21</b>	<b>370,099.04</b>	<b>23,590.12</b>	<b>115,949.89</b>	<b>242,920.57</b>	<b>146,967.21</b>	<b>2,602,211.23</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>								
Liabilities:								
Accounts Payable	1,150.00							1,150.00
Contracts Payable	79,830.98							79,830.98
Payroll Deductions and Withholdings and Employer Matching Payable	16,285.24		510.00					16,795.24
<b>Total Liabilities</b>	<b>97,266.22</b>	<b>0.00</b>	<b>510.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>97,776.22</b>
Deferred Inflows of Resources:								
Unavailable Revenue--Property Taxes	2,191.42	355.67	289.43	72.47				2,908.99
Taxes Levied for Future Period	260,473.03	154,038.48	60,638.31	19,984.30				495,134.12
<b>Total Deferred Inflows of Resources</b>	<b>262,664.45</b>	<b>154,394.15</b>	<b>60,927.74</b>	<b>20,056.77</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>498,043.11</b>
Fund Balances:								
Restricted:								
Capital Outlay		518,238.06						518,238.06
Special Education			308,661.30					308,661.30
Pension				3,533.35				3,533.35
Debt Service					115,949.89	242,920.57	146,967.21	505,837.67
Assigned for Next Year's Budget	169,828.00							169,828.00
Unassigned	500,293.52							500,293.52
<b>Total Fund Balances</b>	<b>670,121.52</b>	<b>518,238.06</b>	<b>308,661.30</b>	<b>3,533.35</b>	<b>115,949.89</b>	<b>242,920.57</b>	<b>146,967.21</b>	<b>2,006,391.90</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>	<b>1,030,052.19</b>	<b>672,632.21</b>	<b>370,099.04</b>	<b>23,590.12</b>	<b>115,949.89</b>	<b>242,920.57</b>	<b>146,967.21</b>	<b>2,602,211.23</b>

The notes to the financial statements are an integral part of this statement.

**WHITE LAKE SCHOOL DISTRICT NO. 1-3**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2015**

Total Fund Balances - Governmental Funds		<u>2,006,391.90</u>
Amounts reported for governmental activities in the statement of net position are different because:		
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		<u>369,248.26</u>
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		<u>575,748.76</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.		<u>325,770.13</u>
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		<u>(640,053.50)</u>
QZAB Bonds	<u>625,000.00</u>	
Accrued Leave	<u>15,053.50</u>	
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.		<u>(427,651.73)</u>
Net Position - Governmental Activities		<u><u>2,209,453.82</u></u>

The notes to the financial statements are an integral part of this statement.

**WHITE LAKE SCHOOL DISTRICT NO. 1-3**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2015**

	<b>General Fund</b>	<b>Capital Outlay Fund</b>	<b>Special Education Fund</b>	<b>Pension Fund</b>	<b>QZAB #1 Debt Service Fund</b>	<b>QZAB #2 Debt Service Fund</b>	<b>QZAB #3 Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>								
Revenue from Local Sources:								
Taxes:								
Ad Valorem Taxes	590,205.99	301,346.11	129,901.25	45,409.63				1,066,862.98
Prior Years' Ad Valorem Taxes	2,449.94	203.84	138.27	54.20				2,846.25
Tax Deed Revenue	1,011.06	108.27	54.13	20.51				1,193.97
Utility Taxes	36,840.08							36,840.08
Penalties and Interest on Taxes	1,901.33	310.47	168.93	61.39				2,442.12
Earnings on Investments and Deposits	3,392.25	2,544.19	1,541.93	231.29	20,991.39	3,588.13	8,782.01	41,071.19
Cocurricular Activities:								
Admissions	13,361.62							13,361.62
Other Pupil Activity Income	435.00							435.00
Other Revenue from Local Sources:								
Contributions and Donations	2,152.30							2,152.30
Charges for Services	3,064.15		287.00					3,351.15
Other	5,429.41							5,429.41
Revenue from Intermediate Sources:								
County Sources:								
County Apportionment	13,699.98							13,699.98
Revenue in Lieu of Taxes	12,784.91							12,784.91
Revenue from State Sources:								
Grants-in-Aid:								
Unrestricted Grants-in-Aid	436,053.14							436,053.14
Restricted Grants-in-Aid	3,000.00							3,000.00
Other State Revenue	150.00							150.00
Revenue from Federal Sources:								
Grants-in-Aid:								
Restricted Grants-in-Aid Received from Federal Government Through the State	45,674.00							45,674.00
Other Federal Revenue	2,633.00							2,633.00
<b>Total Revenue</b>	<b>1,174,238.16</b>	<b>304,512.88</b>	<b>132,091.51</b>	<b>45,777.02</b>	<b>20,991.39</b>	<b>3,588.13</b>	<b>8,782.01</b>	<b>1,689,981.10</b>

The notes to the financial statements are an integral part of this statement.

**WHITE LAKE SCHOOL DISTRICT NO. 1-3**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>QZAB #1 Debt Service Fund</u>	<u>QZAB #2 Debt Service Fund</u>	<u>QZAB #3 Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>Expenditures:</b>								
Instruction:								
Regular Programs:								
Elementary	248,571.35	54,102.08		11,850.40				314,523.83
Middle/Junior High	71,023.85			3,588.86				74,612.71
High School	305,505.96	6,632.79		14,766.19				326,904.94
Preschool Services	16,515.54			1,036.09				17,551.63
Special Programs:								
Programs for Special Education			55,736.45					55,736.45
Educationally Deprived	45,673.64							45,673.64
Support Services:								
Pupils:								
Guidance	15,649.83			794.40				16,444.23
Health	540.00							540.00
Psychological			7,709.93					7,709.93
Speech Pathology			9,414.21					9,414.21
Student Therapy Services			9,577.56					9,577.56
Instructional Staff:								
Improvement of Instruction	3,000.00	538.25						3,538.25
Educational Media	32,351.33			1,531.45				33,882.78
General Administration:								
Board of Education	17,376.92							17,376.92
Executive Administration	64,268.46			3,370.91				67,639.37
School Administration:								
Office of the Principal	46,983.46			2,556.24				49,539.70
Other	5,235.88							5,235.88
Business:								
Fiscal Services	44,051.42	6,400.00		1,822.03				52,273.45
Operation and Maintenance of Plant	122,780.60	38,908.27		2,782.48				164,471.35
Pupil Transportation	49,616.24			821.37				50,437.61
Food Services		6,370.05						6,370.05
Central:								
Staff	96.50							96.50

The notes to the financial statements are an integral part of this statement.

**WHITE LAKE SCHOOL DISTRICT NO. 1-3**  
**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	QZAB #1 Debt Service Fund	QZAB #2 Debt Service Fund	QZAB #3 Debt Service Fund	Total Governmental Funds
<b>Expenditures (continued):</b>								
Debt Services		325.00						325.00
Cocurricular Activities:								
Male Activities	33,097.36							33,097.36
Female Activities	24,060.14							24,060.14
Combined Activities	20,062.69							20,062.69
Capital Outlay		40,931.42						40,931.42
<b>Total Expenditures</b>	<b>1,166,461.17</b>	<b>154,207.86</b>	<b>82,438.15</b>	<b>44,920.42</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,448,027.60</b>
Excess of Revenue Over (Under) Expenditures	7,776.99	150,305.02	49,653.36	856.60	20,991.39	3,588.13	8,782.01	241,953.50
<b>Other Financing Sources (Uses):</b>								
Transfers In	4,317.41				7,304.50		13,818.52	25,440.43
Transfers Out	(8,000.00)	(23,667.21)	(1,541.93)	(231.29)				(33,440.43)
Compensation for Loss of General Capital Assets		38,481.25						38,481.25
<b>Total Other Financing Sources (Uses)</b>	<b>(3,682.59)</b>	<b>14,814.04</b>	<b>(1,541.93)</b>	<b>(231.29)</b>	<b>7,304.50</b>	<b>0.00</b>	<b>13,818.52</b>	<b>30,481.25</b>
<b>Net Change in Fund Balances</b>	<b>4,094.40</b>	<b>165,119.06</b>	<b>48,111.43</b>	<b>625.31</b>	<b>28,295.89</b>	<b>3,588.13</b>	<b>22,600.53</b>	<b>272,434.75</b>
Fund Balance - Beginning	666,027.12	353,119.00	260,549.87	2,908.04	87,654.00	239,332.44	124,366.68	1,733,957.15
<b>FUND BALANCE - ENDING</b>	<b>670,121.52</b>	<b>518,238.06</b>	<b>308,661.30</b>	<b>3,533.35</b>	<b>115,949.89</b>	<b>242,920.57</b>	<b>146,967.21</b>	<b>2,006,391.90</b>

The notes to the financial statements are an integral part of this statement.

**WHITE LAKE SCHOOL DISTRICT NO. 1-3**  
**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	<u>272,434.75</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>40,931.42</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(36,100.56)</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>(121.10)</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (Pension Revenue)	<u>15,596.91</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (Pension Expense)	<u>53,492.48</u>
Change in Net Position of Governmental Activities	<u><u>346,233.90</u></u>

The notes to the financial statements are an integral part of this statement.

**WHITE LAKE SCHOOL DISTRICT NO. 1-3**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**As of June 30, 2015**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Food Service Fund</b>	<b>After School Fund</b>	
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	11,637.66	309.41	11,947.07
Accounts Receivable, Net	1,114.75	348.50	1,463.25
Due from State Government		1,408.00	1,408.00
Inventory of Stores Purchased for Resale	653.00		653.00
Inventory of Donated Food	4,385.18		4,385.18
<b>Total Current Assets</b>	<b>17,790.59</b>	<b>2,065.91</b>	<b>19,856.50</b>
Noncurrent Assets:			
Capital Assets:			
Machinery and Equipment--Local Funds	48,396.48		48,396.48
Less: Accumulated Depreciation	(35,949.05)		(35,949.05)
<b>Total Noncurrent Assets</b>	<b>12,447.43</b>	<b>0.00</b>	<b>12,447.43</b>
<b>TOTAL ASSETS</b>	<b>30,238.02</b>	<b>2,065.91</b>	<b>32,303.93</b>
<b>LIABILITIES:</b>			
Payroll Deductions and Withholdings and Employer Matching Payable	1,020.00		1,020.00
<b>TOTAL LIABILITIES</b>	<b>1,020.00</b>	<b>0.00</b>	<b>1,020.00</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	12,447.43		12,447.43
Unrestricted Net Position	16,770.59	2,065.91	18,836.50
<b>TOTAL NET POSITION</b>	<b>29,218.02</b>	<b>2,065.91</b>	<b>31,283.93</b>

The notes to the financial statements are an integral part of this statement.

**WHITE LAKE SCHOOL DISTRICT NO. 1-3**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2015**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Food Service Fund</b>	<b>After School Fund</b>	
<b>Operating Revenue:</b>			
Food Sales:			
Student	36,594.30		36,594.30
Adults	1,329.35		1,329.35
Other Charges for Goods and Services	226.00	2,242.50	2,468.50
<b>Total Operating Revenue</b>	<b>38,149.65</b>	<b>2,242.50</b>	<b>40,392.15</b>
<b>Operating Expenses:</b>			
Food Service:			
Salaries	30,623.63	14,584.20	45,207.83
Employee Benefits	8,708.32	1,989.12	10,697.44
Purchased Services	407.02	100.00	507.02
Supplies	2,669.69	936.01	3,605.70
Cost of Sales - Purchased Food	49,501.01		49,501.01
Cost of Sales - Donated Food	5,316.33		5,316.33
Other	833.50		833.50
Depreciation	1,233.21		1,233.21
<b>Total Operating Expenses</b>	<b>99,292.71</b>	<b>17,609.33</b>	<b>116,902.04</b>
<b>Operating Income (Loss)</b>	<b>(61,143.06)</b>	<b>(15,366.83)</b>	<b>(76,509.89)</b>
<b>Nonoperating Revenue (Expense):</b>			
State Grants	377.27		377.27
Federal Grants	46,312.43	16,314.01	62,626.44
Donated Food	5,316.33		5,316.33
<b>Total Nonoperating Revenue (Expense)</b>	<b>52,006.03</b>	<b>16,314.01</b>	<b>68,320.04</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(9,137.03)</b>	<b>947.18</b>	<b>(8,189.85)</b>
Capital Contributions	5,819.55		5,819.55
Transfers In	8,000.00		8,000.00
<b>Change in Net Position</b>	<b>4,682.52</b>	<b>947.18</b>	<b>5,629.70</b>
<b>Net Position - Beginning</b>	<b>24,535.50</b>	<b>1,118.73</b>	<b>25,654.23</b>
<b>NET POSITION - ENDING</b>	<b>29,218.02</b>	<b>2,065.91</b>	<b>31,283.93</b>

The notes to the financial statements are an integral part of this statement.

**WHITE LAKE SCHOOL DISTRICT NO. 1-3**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2015**

	<b>Enterprise Fund</b>		<b>Totals</b>
	<b>Food Service Fund</b>	<b>After School Fund</b>	
<b>Cash Flows from Operating Activities:</b>			
Cash Receipts from Customers	39,120.55	2,223.20	41,343.75
Cash Payments to Employees for Services	(38,311.95)	(16,573.32)	(54,885.27)
Cash Payments to Suppliers for Goods or Services	(53,411.22)	(1,036.01)	(54,447.23)
Other Operating Cash Payments	226.00		226.00
Net Cash Provided (Used) by Operating Activities	<u>(52,376.62)</u>	<u>(15,386.13)</u>	<u>(67,762.75)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers from General Fund	8,000.00		8,000.00
Operating Grants/Contributions	46,689.70	14,906.01	61,595.71
Net Cash Provided (Used) from Noncapital Financing Activities	<u>54,689.70</u>	<u>14,906.01</u>	<u>69,595.71</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>2,313.08</u>	<u>(480.12)</u>	<u>1,832.96</u>
Cash and Cash Equivalents at Beginning of Year	9,324.58	789.53	10,114.11
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>11,637.66</u>	<u>309.41</u>	<u>11,947.07</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	(61,143.06)	(15,366.83)	(76,509.89)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	1,233.21		1,233.21
Value of Donated Commodities Used	5,316.33		5,316.33
Change in Assets and Liabilities:			
Receivables	1,196.90	(19.30)	1,177.60
Accrued Wages Payable	1,020.00		1,020.00
Net Cash Provided (Used) by Operating Activities	<u>(52,376.62)</u>	<u>(15,386.13)</u>	<u>(67,762.75)</u>
<b>Noncash Investing, Capital and Financing Activities:</b>			
Value of Commodities Received	5,316.33		5,316.33
Equipment Purchased by Capital Outlay Fund	5,819.55		5,819.55

The notes to the financial statements are an integral part of this statement.

**WHITE LAKE SCHOOL DISTRICT NO. 1-3**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**As of June 30, 2015**

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	<u>12,733.35</u>
<b>TOTAL ASSETS</b>	<u>12,733.35</u>
<b>LIABILITIES:</b>	
Amounts Held for Others	<u>12,733.35</u>
<b>TOTAL LIABILITIES</b>	<u><u>12,733.35</u></u>

The notes to the financial statements are an integral part of this statement.

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NOTES TO THE FINANCIAL STATEMENTS

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 White Lake School District No. 1-3 (School District) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds, may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the 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 minus liabilities equal net position). Net position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**Fund Financial Statements:**

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

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

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

**Governmental Funds:**

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

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

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

**Special Education Fund** – A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance 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 District's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is a major fund.

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

**The QZAB #1 Bond Debt Service Fund** – A fund established by SDCL 13-16-13 to account for the bond escrow payments to be used for the future payment of principal on Qualified Zone Academy Bonds. This is a major fund.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

The QZAB #2 Bond Debt Service Fund – A fund established by SDCL 13-16-13 to account for the bond escrow payments to be used for the future payment of principal on Qualified Zone Academy Bonds. This is a major fund.

The QZAB #3 Bond Debt Service Fund – A fund established by SDCL 13-16-13 to account for the bond escrow payments to be used for the future payment of principal on Qualified Zone Academy Bonds. This is a major fund.

**Proprietary Funds:**

Enterprise Fund Types – 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 and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
- 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.

After School Fund – The After School Fund is an enterprise fund maintained by the School District. This fund is financed by user charges. This is a major fund.

**Fiduciary Funds:**

Fiduciary funds are never considered to be major funds.

Agency Fund Types – agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds for the following purposes:

The School District maintains agency funds to hold assets as an agent in a trustee capacity for various classes and clubs.

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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**Measurement Focus:**

## Government-wide Financial Statements:

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

## Fund Financial Statements:

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

**Basis of Accounting:**

## Government-wide Financial Statements:

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

## Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay all the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the White Lake School District No. 1-3, the length of that cycle is 60 days. The revenues, which are accrued at June 30, 2015, are state grants, utility taxes, and miscellaneous revenue.

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

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

All proprietary 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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

d. Deposits and Investments:

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

Investments classified in the financial statements consist entirely 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 Laws (SDCL) 4-5-6.

e. Capital Assets:

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

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

Government-Wide Statements

All capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Interest costs incurred during the construction of general capital assets are not capitalized along with other capital asset costs.

Depreciation of all exhaustible capital assets is not 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	\$ 0.00	N/A	N/A
Improvements	\$ 10,000.00	Straight-Line	15-25 yrs.
Buildings	\$ 50,000.00	Straight-Line	50 yrs.
Machinery & Automotive Equipment	\$ 5,000.00	Straight-Line	5-20 yrs.
Food Service Equipment	\$ 500.00	Straight-Line	12 yrs.

Land is an inexhaustible capital asset and is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

### Fund Financial Statements

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

f. 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 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 QZAB bonds and compensated absences.

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.

g. Program Revenues:

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

1. Charges for services – These arise from charges to customers, applications, 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.

h. Proprietary Funds Revenue and Expense Classifications:

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

i. Cash and Cash Equivalents:

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

j. 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.

k. 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.

l. Fund Balance Classification Policies and Procedures:

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

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

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

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

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

m. Pensions:

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

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

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

Deposits – The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 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 district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

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.

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 deposits and investments to the General Fund. 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 statutory restrictions on interfund transfers.

**3. RESTRICTED CASH AND INVESTMENTS**

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

<u>Amount:</u>	<u>Purpose:</u>
\$ 505,837.67	For Debt Service, by debt covenants

**4. RECEIVABLES AND PAYABLES**

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year.

**5. INVENTORY**

Inventory held for consumption is stated at cost. Inventory for resale is stated at the lower of cost or market. The cost valuation method is first-in, first-out. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt. In the Government-wide 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 fund financial statements, inventories in the General, Special Revenue, and Proprietary Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. At June 30, 2015, the supplies inventory on hand was not material in the General Fund and special revenue funds.

**6. PROPERTY TAXES**

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

**7. CHANGES IN CAPITAL ASSETS**

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

Governmental Activities:	Balance 07/01/2014	Increases	Decreases	Balance 06/30/15
Capital Assets, not being depreciated:				
Land	4,993.30			4,993.30
Capital Assets, being depreciated:				
Improvements	199,859.23			199,859.23
Buildings	643,749.01	17,631.42		661,380.43
Machinery & Equipment	369,430.35	23,300.00		392,730.35
Total, being depreciated	<u>1,213,038.59</u>	<u>40,931.42</u>	<u>0.00</u>	<u>1,253,970.01</u>
Less Accumulated Depreciation for:				
Improvements	(112,496.42)	(9,736.29)		(122,232.71)
Buildings	(262,123.47)	(12,294.27)		(274,417.74)
Machinery & Equipment	(272,494.10)	(14,070.00)		(286,564.10)
Total Accumulated Depreciation	<u>(647,113.99)</u>	<u>(36,100.56)</u>	<u>0.00</u>	<u>(683,214.55)</u>
Total Capital Assets, being depreciated, net	<u>565,924.60</u>	<u>4,830.86</u>	<u>0.00</u>	<u>570,755.46</u>
Governmental Activity Capital Assets, Net	<u><u>570,917.90</u></u>	<u><u>4,830.86</u></u>	<u><u>0.00</u></u>	<u><u>575,748.76</u></u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	16,184.30
Support Services	18,820.36
Co-curricular Activities	1,095.90
Total Depreciation Expense - Governmental Activities	<u><u>36,100.56</u></u>

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

	Balance 07/01/14	Increases	Decreases	Balance 06/30/15
Business-Type Activities:				
Capital Assets, being depreciated:				
Machinery & Equipment	44,324.91	5,819.55	(1,747.98)	48,396.48
Total, being depreciated	44,324.91	5,819.55	(1,747.98)	48,396.48
Less Accumulated Depreciation for:				
Machinery & Equipment	(36,463.82)	(1,233.21)	1,747.98	(35,949.05)
Total Accumulated Depreciation	(36,463.82)	(1,233.21)	1,747.98	(35,949.05)
Business-Type Activity Capital Assets, Net	7,861.09	4,586.34	0.00	12,447.43

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Food Services	1,233.21
Total Depreciation Expense - Business-Type Activities	1,233.21

8. LONG-TERM LIABILITIES

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

	Beginning Balance 07/01/14	Additions	Deletions	Ending Balance 06/30/15	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
Qualified Zone Academy Bond (QZAB #1)	125,000.00			125,000.00	125,000.00
Qualified Zone Academy Bond (QZAB #2)	250,000.00			250,000.00	0.00
Qualified Zone Academy Bond (QZAB #3)	250,000.00			250,000.00	0.00
Total Debt	625,000.00	0.00	0.00	625,000.00	125,000.00
Accrued Compensated Absences - Governmental Funds	14,932.40	3,875.40	(3,754.30)	15,053.50	4,000.00
Total Primary Government	639,932.40	3,875.40	(3,754.30)	640,053.50	129,000.00

Compensated absences for governmental activities typically have been liquidated from the General Fund.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Liabilities Payable at June 30, 2015, is comprised of the following:

PRIMARY GOVERNMENT

Governmental Activities:

Qualified Zone Academy Bonds:

Qualified Zone Academy Bonds (QZAB #1) for School Renovation, Maturity Date December 31, 2015, Non-Interest Bearing Note, Paid by QZAB #1 Debt Service Fund	\$125,000.00
Qualified Zone Academy Bonds (QZAB #2) for School Renovation, Maturity Date November 12, 2017, Non-Interest Bearing Note, Paid by QZAB #2 Debt Service Fund	\$250,000.00
Qualified Zone Academy Bonds (QZAB #3) for School Renovation, Maturity Date June 29, 2022, Non-Interest Bearing Note, Paid by QZAB #3 Debt Service Fund	\$250,000.00

Compensated Absences:

Vested Sick Leave:	
Vested Sick Leave Balances of Eligible Employees	\$ 15,053.50
Payment to be made by the fund that the payroll expenditures are charged to, which would be the General Fund.	

The annual debt service requirements to maturity for all debt outstanding, except for compensated absences, as of June 30, 2015 are as follows:

Annual Requirements to Maturity for Long-Term Debt  
June 30, 2015

Year Ending June 30,	Qualified Zone Academy Bond (QZAB #1) <u>Principal</u>	Qualified Zone Academy Bond (QZAB #2) <u>Principal</u>	Qualified Zone Academy Bond (QZAB #3) <u>Principal</u>	Total <u>Principal</u>
2016	125,000.00			125,000.00
2017				0.00
2018		250,000.00		250,000.00
2019				0.00
2020				0.00
2021-2022			250,000.00	250,000.00
Totals	<u>125,000.00</u>	<u>250,000.00</u>	<u>250,000.00</u>	<u>625,000.00</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

9. RESTRICTED NET POSITION

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

<u>FUND</u>	<u>Restricted By:</u>	<u>Amount</u>
Special Education	Law	\$ 308,661.30
Capital Outlay	Law	518,238.06
Pension	Law	3,533.35
SDRS Pension	Governmental Accounting Standards	267,366.66
Debt Service	Debt Covenants	505,837.67
<b>Total Restricted Net Position</b>		<b>\$ 1,603,637.04</b>

10. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2015 were as follows:

<u>Transfers From:</u>	<u>Transfers To:</u>				<u>Totals</u>
	<u>General Fund</u>	<u>QZAB #1 Debt Service Fund</u>	<u>QZAB #3 Debt Service Fund</u>	<u>Food Service Fund</u>	
General Fund				\$ 8,000.00	\$ 8,000.00
Capital Outlay Fund	\$ 2,544.19	\$ 7,304.50	\$ 13,818.52		23,667.21
Special Education Fund	1,541.93				1,541.93
Pension Fund	231.29				231.29
<b>Totals</b>	<b>\$ 4,317.41</b>	<b>\$ 7,304.50</b>	<b>\$ 13,818.52</b>	<b>\$ 8,000.00</b>	<b>\$ 33,440.43</b>

Transfers of investment and deposit earnings to the General Fund are reported. SDCL 4-5-9 and 13-16-18 give the school board the authority to designate whether all such earnings should be retained by any individual funds or credited to the General Fund. The interfund transfers are not violations of the statutory restrictions on interfund transfers. Certain other statutes and debt covenants require earnings from investments and deposits to be retained in the fund that services the long-term debt.

The School District also uses transfers to transfer future bond payments to the Debt Service Funds from the Capital Outlay Funds and to transfer from the General Fund to the Food Service Fund to supplement the operation.

11. 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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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.

**12. PRIOR PERIOD ADJUSTMENTS**

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

Net Position July 1, 2014, as previously reported	\$ 1,664,942.65
Restatement for pension accounting:	
Net Pension Asset	144,502.08
Pension related Deferred Outflows of Resources	<u>53,775.19</u>
Net Position July 1, 2014, as restated	<u>\$ 1,863,219.92</u>

**13. 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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

The annual increase in the amount of the SDRS benefits payable on each July 1<sup>st</sup> 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 ration 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 \$53,492.48, \$53,779.24, and \$50,169.34, 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 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	\$ 5,436,562.61
Less proportionate share of total pension liability	\$ <u>5,067,314.35</u>
Proportionate share of net pension liability (asset)	\$ <u>(369,248.26)</u>

At June 30, 2015, the School District reported a liability (asset) of \$(369,248.26) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2014 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2014, the School District's proportion was .0512518%.

For the year ended June 30, 2015, the School District recognized pension expense (revenue) of \$(15,596.91). At June 30, 2015 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience.	\$ 31,243.40	
Changes In Assumption.	\$ 241,034.25	
Net Difference between projected and actual earnings on pension plan investments.		\$ 427,651.73
District contributions subsequent to the measurement date.	\$ 53,492.48	
<b>TOTAL</b>	<u>\$ 325,770.13</u>	<u>\$ 427,651.73</u>

\$53,492.48 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:

2016	\$ (29,340.95)
2017	\$ (29,340.95)
2018	\$ (29,340.95)
2019	<u>\$ (67,351.22)</u>
<b>TOTAL</b>	<u>\$ (155,374.07)</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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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 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	2.0%	0.8%
<b>Total</b>	<u>100%</u>	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 7.25 percent through 2016 and 7.50 percent 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)	\$364,886.73	\$(369,248.26)	\$(968,011.97)

Pension Plan Fiduciary Net Position:

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

#### 14. JOINT VENTURES

The School District participates in the Mid Central Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education services to the member school districts.

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

Armour School District No. 21-1	4.74%
Burke School District No. 26-2	5.68%
Colome Consolidated School District No. 59-3	7.06%
Corsica School District No. 21-2	4.08%
Ethan School District No. 17-1	7.06%
Gregory School District No. 26-4	10.83%
Kimball School District No. 7-2	8.37%
Mt. Vernon School District No. 17-3	6.31%
Plankinton School District No. 1-1	9.14%
Platte-Geddes School District No. 11-5	13.01%
Stickney School District No. 1-2	3.06%
Wessington Springs School District No. 36-2	8.00%
White Lake School District No. 1-3	3.26%
Wolsey-Wessington School District No. 2-6	9.40%

The co-op's governing board is composed of two representatives from each member school district, who are the Superintendent of the School and one School Board Member. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget.

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

Separate financial statements for this joint venture are available from the Mid Central Cooperative.

At June 30, 2015, this joint venture had total assets of \$2,928,685.00, total liabilities of \$336,310.07, and net position of \$2,592,554.93.

#### 15. 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 purchases health insurance from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

##### Liability Insurance:

The School District purchases liability insurance for risks related to torts; theft of 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.

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Workmen's Compensation:

The School District purchases liability insurance for workmen's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits:

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

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

16. SIGNIFIGANT CONTINGENCIES – LITIGATION

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

**REQUIRED SUPPLEMENTARY INFORMATION**  
**WHITE LAKE SCHOOL DISTRICT NO. 1-3**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	587,732.00	587,732.00	590,205.99	2,473.99
Prior Years' Ad Valorem Taxes	2,600.00	2,600.00	2,449.94	(150.06)
Tax Deed Revenue	700.00	700.00	1,011.06	311.06
Utility Taxes	18,076.00	18,076.00	36,840.08	18,764.08
Penalties and Interest on Taxes	1,100.00	1,100.00	1,901.33	801.33
Earnings on Investments and Deposits	2,000.00	2,000.00	3,392.25	1,392.25
Cocurricular Activities:				
Admissions	11,000.00	11,000.00	13,361.62	2,361.62
Rentals	200.00	200.00	0.00	(200.00)
Other Pupil Activity Income	400.00	400.00	435.00	35.00
Other Revenue from Local Sources:				
Contributions and Donations	0.00	0.00	2,152.30	2,152.30
Charges for Services	6,500.00	6,500.00	3,064.15	(3,435.85)
Other	6,000.00	6,000.00	5,429.41	(570.59)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	15,000.00	15,000.00	13,699.98	(1,300.02)
Revenue in Lieu of Taxes	2,500.00	2,500.00	12,784.91	10,284.91
Other	22,500.00	22,500.00	0.00	(22,500.00)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	420,938.00	420,938.00	436,053.14	15,115.14
Restricted Grants-in-Aid	0.00	0.00	3,000.00	3,000.00
Other State Revenue	0.00	0.00	150.00	150.00
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	63,654.00	63,654.00	45,674.00	(17,980.00)
Other Federal Revenue	5,000.00	5,000.00	2,633.00	(2,367.00)
<b>Total Revenue</b>	<b>1,165,900.00</b>	<b>1,165,900.00</b>	<b>1,174,238.16</b>	<b>8,338.16</b>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary	244,100.00	248,600.00	248,571.35	28.65
Middle/Junior High	72,820.00	72,820.00	71,023.85	1,796.15
High School	308,725.00	308,725.00	305,505.96	3,219.04
Preschool Services	18,775.00	18,775.00	16,515.54	2,259.46
Special Programs:				
Educationally Deprived	49,936.00	49,936.00	45,673.64	4,262.36

**REQUIRED SUPPLEMENTARY INFORMATION**  
**WHITE LAKE SCHOOL DISTRICT NO. 1-3**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> (Budgetary Basis)	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures (Cont.):</b>				
Support Services:				
Pupils:				
Guidance	17,450.00	17,450.00	15,649.83	1,800.17
Health	540.00	540.00	540.00	0.00
Instructional Staff:				
Improvement of Instruction	2,091.00	3,091.00	3,000.00	91.00
Educational Media	34,735.00	34,735.00	32,351.33	2,383.67
General Administration:				
Board of Education	20,600.00	20,600.00	17,376.92	3,223.08
Executive Administration	68,550.00	68,550.00	64,268.46	4,281.54
School Administration:				
Office of the Principal	49,975.00	49,975.00	46,983.46	2,991.54
Other	2,500.00	5,300.00	5,235.88	64.12
Business:				
Fiscal Services	45,380.00	45,380.00	44,051.42	1,328.58
Operation and Maintenance of Plant	142,850.00	142,850.00	122,780.60	20,069.40
Pupil Transportation	55,050.00	55,050.00	49,616.24	5,433.76
Central:				
Staff	300.00	300.00	96.50	203.50
Community Services:				
Custody and Care of Children	11,627.00	11,627.00	0.00	11,627.00
Cocurricular Activities:				
Male Activities	32,700.00	33,100.00	33,097.36	2.64
Female Activities	21,655.00	24,155.00	24,060.14	94.86
Combined Activities	25,695.00	25,695.00	20,062.69	5,632.31
Contingencies	52,500.00	52,500.00		
Amount Transferred		(11,200.00)		41,300.00
<b>Total Expenditures</b>	<b>1,278,554.00</b>	<b>1,278,554.00</b>	<b>1,166,461.17</b>	<b>112,092.83</b>
Excess of Revenue Over (Under)				
Expenditures	(112,654.00)	(112,654.00)	7,776.99	120,430.99
<b>Other Financing Sources (Uses):</b>				
Transfers In	2,050.00	2,050.00	4,317.41	2,267.41
Transfers Out	(31,425.00)	(31,425.00)	(8,000.00)	23,425.00
<b>Total Other Financing Sources (Uses)</b>	<b>(29,375.00)</b>	<b>(29,375.00)</b>	<b>(3,682.59)</b>	<b>25,692.41</b>
<b>Net Change in Fund Balances</b>	<b>(142,029.00)</b>	<b>(142,029.00)</b>	<b>4,094.40</b>	<b>146,123.40</b>
Fund Balance - Beginning	666,027.12	666,027.12	666,027.12	0.00
<b>FUND BALANCE - ENDING</b>	<b>523,998.12</b>	<b>523,998.12</b>	<b>670,121.52</b>	<b>146,123.40</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**WHITE LAKE SCHOOL DISTRICT NO. 1-3**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**CAPITAL OUTLAY FUND**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	367,610.00	367,610.00	301,346.11	(66,263.89)
Prior Years' Ad Valorem Taxes	200.00	200.00	203.84	3.84
Tax Deed Revenue	0.00	0.00	108.27	108.27
Penalties and Interest on Taxes	200.00	200.00	310.47	110.47
Earnings on Investments and Deposits	1,000.00	1,000.00	2,544.19	1,544.19
<b>Total Revenue</b>	<b>369,010.00</b>	<b>369,010.00</b>	<b>304,512.88</b>	<b>(64,497.12)</b>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary	60,000.00	60,000.00	54,102.08	5,897.92
Middle/Junior High	12,850.00	12,850.00	0.00	12,850.00
High School	56,802.00	56,802.00	6,632.79	50,169.21
Support Services:				
Instructional Staff:				
Improvement of Instruction	0.00	600.00	538.25	61.75
Educational Media	500.00	500.00	0.00	500.00
General Administration:				
Executive Administration	800.00	800.00	0.00	800.00
School Administration:				
Office of the Principal	200.00	200.00	0.00	200.00
Business:				
Fiscal Services	4,000.00	6,400.00	6,400.00	0.00
Operation and Maintenance of Plant	210,233.00	210,233.00	79,839.69	130,393.31
Pupil Transportation	20,000.00	20,000.00	6,370.05	13,629.95
Debt Services	21,350.00	21,450.00	325.00	21,125.00
Cocurricular Activities:				
Male Activities	4,000.00	4,000.00	0.00	4,000.00
Female Activities	3,000.00	3,000.00	0.00	3,000.00
Combined Activities	1,275.00	1,275.00	0.00	1,275.00
<b>Total Expenditures</b>	<b>395,010.00</b>	<b>398,110.00</b>	<b>154,207.86</b>	<b>243,902.14</b>
Excess of Revenue Over (Under)				
Expenditures	(26,000.00)	(29,100.00)	150,305.02	179,405.02
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(1,000.00)	(1,000.00)	(23,667.21)	(22,667.21)
Compensation for Loss of General Capital Assets	0.00	0.00	38,481.25	38,481.25
<b>Total Other Financing Sources (Uses)</b>	<b>(1,000.00)</b>	<b>(1,000.00)</b>	<b>14,814.04</b>	<b>15,814.04</b>
<b>Net Change in Fund Balances</b>	<b>(27,000.00)</b>	<b>(30,100.00)</b>	<b>165,119.06</b>	<b>195,219.06</b>
Fund Balance - Beginning	353,119.00	353,119.00	353,119.00	0.00
<b>FUND BALANCE - ENDING</b>	<b>326,119.00</b>	<b>323,019.00</b>	<b>518,238.06</b>	<b>195,219.06</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**WHITE LAKE SCHOOL DISTRICT NO. 1-3**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**SPECIAL EDUCATION FUND**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	138,104.00	138,104.00	129,901.25	(8,202.75)
Prior Years' Ad Valorem Taxes	225.00	225.00	138.27	(86.73)
Tax Deed Revenue	0.00	0.00	54.13	54.13
Penalties and Interest on Taxes	200.00	200.00	168.93	(31.07)
Earnings on Investments and Deposits	500.00	500.00	1,541.93	1,041.93
Other Revenue from Local Sources:				
Charges for Services	900.00	900.00	287.00	(613.00)
Other	200.00	200.00	0.00	(200.00)
<b>Total Revenue</b>	<b>140,129.00</b>	<b>140,129.00</b>	<b>132,091.51</b>	<b>(8,037.49)</b>
<b>Expenditures:</b>				
Instruction:				
Special Programs:				
Programs for Special Education	76,391.00	76,391.00	55,736.45	20,654.55
Support Services:				
Pupils:				
Psychological	18,000.00	18,000.00	7,709.93	10,290.07
Speech Pathology	19,200.00	19,200.00	9,414.21	9,785.79
Student Therapy Services	25,538.00	25,538.00	9,577.56	15,960.44
<b>Total Expenditures</b>	<b>139,129.00</b>	<b>139,129.00</b>	<b>82,438.15</b>	<b>56,690.85</b>
Excess of Revenue Over (Under) Expenditures	1,000.00	1,000.00	49,653.36	48,653.36
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(1,000.00)	(1,000.00)	(1,541.93)	(541.93)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,000.00)</b>	<b>(1,000.00)</b>	<b>(1,541.93)</b>	<b>(541.93)</b>
<b>Net Change in Fund Balances</b>	<b>0.00</b>	<b>0.00</b>	<b>48,111.43</b>	<b>48,111.43</b>
Fund Balance - Beginning	260,549.87	260,549.87	260,549.87	0.00
<b>FUND BALANCE - ENDING</b>	<b>260,549.87</b>	<b>260,549.87</b>	<b>308,661.30</b>	<b>48,111.43</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**WHITE LAKE SCHOOL DISTRICT NO. 1-3**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**PENSION FUND**  
**For the Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	49,674.00	49,674.00	45,409.63	(4,264.37)
Prior Years' Ad Valorem Taxes	91.00	91.00	54.20	(36.80)
Tax Deed Revenue	0.00	0.00	20.51	20.51
Penalties and Interest on Taxes	50.00	50.00	61.39	11.39
Earnings on Investments and Deposits	100.00	100.00	231.29	131.29
<b>Total Revenue</b>	<b>49,915.00</b>	<b>49,915.00</b>	<b>45,777.02</b>	<b>(4,137.98)</b>
<b>Expenditures:</b>				
Instruction:				
Elementary	12,820.00	12,820.00	11,850.40	969.60
Middle/Junior High	3,780.00	3,780.00	3,588.86	191.14
High School	15,655.00	15,655.00	14,766.19	888.81
Preschool Services	1,966.00	1,966.00	1,036.09	929.91
Support Services:				
Pupils:				
Guidance	936.00	936.00	794.40	141.60
Instructional Staff:				
Educational Media	1,560.00	1,560.00	1,531.45	28.55
General Administration:				
Executive Administration	4,390.00	4,390.00	3,370.91	1,019.09
School Administration:				
Office of the Principal	2,943.00	2,943.00	2,556.24	386.76
Business:				
Fiscal Services	2,100.00	2,100.00	1,822.03	277.97
Operation and Maintenance of Plant	2,940.00	2,940.00	2,782.48	157.52
Pupil Transportation	925.00	925.00	821.37	103.63
<b>Total Expenditures</b>	<b>50,015.00</b>	<b>50,015.00</b>	<b>44,920.42</b>	<b>5,094.58</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>(100.00)</b>	<b>(100.00)</b>	<b>856.60</b>	<b>956.60</b>
<b>Other Financing Sources:</b>				
Transfers Out	(50.00)	(50.00)	(231.29)	(181.29)
<b>Net Change in Fund Balances</b>	<b>(150.00)</b>	<b>(150.00)</b>	<b>625.31</b>	<b>775.31</b>
Fund Balance - Beginning	2,908.04	2,908.04	2,908.04	0.00
<b>FUND BALANCE - ENDING</b>	<b>2,758.04</b>	<b>2,758.04</b>	<b>3,533.35</b>	<b>775.31</b>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2015

Schedules of Budgetary Comparisons for the General Fund  
and for each major Special Revenue Fund with a legally required budget.

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

(Dollar amounts in thousands)

		2015
District's proportion of the net pension liability (asset)		0.0512518%
District's proportionate share of net pension liability (asset)	\$	(369)
District's covered-employee payroll	\$	896
District's proportionate share of the net pension asset as a percentage of its covered-employee payroll		41.18%
Plan fiduciary net position as a percentage of the total pension liability (asset)		107%

The amounts presented were determined as of 06/30/2014.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS

South Dakota Retirement System

(Dollar amounts in thousands)

	<u>2015</u>
Contractually required contribution	\$ 53
Contributions in relation to the contractually required contribution	<u>\$ 53</u>
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 890
Contributions as a percentage of covered-employee payroll	6.0%