

**WILLOW LAKE
SCHOOL DISTRICT NO 12-3

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2015**

WILLOW LAKE SCHOOL DISTRICT NO 12-3
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2015

School Board

Caryl Schmidt

Paula Warkenthien

Cory Bratland

Julayne Thoreson

Aaron Wicks

Business Manager

Melissa Burke

Superintendent

Scott Klautt

WILLOW LAKE SCHOOL DISTRICT 12-3
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QUAM & BERGLIN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
110 WEST MAIN – P.O. BOX 426
ELK POINT, SOUTH DAKOTA 57025

(605) 356-3374

INDEPENDENT AUDITOR'S REPORT

School Board
Willow Lake School District No. 12-3
Clark 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 Willow Lake School District No. 12-3, Clark County, South Dakota, as of June 30, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund of the Willow Lake School District No. 12-3 as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2016, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Quam & Berglin, P.C.

Quam & Berglin, P.C.
Certified Public Accountants

February 22, 2016

WILLOW LAKE SCHOOL DISTRICT NO. 12-3 MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Willow Lake School District 12-3's annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year ended on June 30, 2015. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- During the year, the School's revenues generated from taxes and other revenues of the governmental and business-type programs was \$2,634,605.46 and the governmental and business-type program expenditures totaled \$2,371,470.51.
- The district has a \$700,000 opt-out, which expires the end of 2016. The district did not utilize any opt-out dollars for calendar year 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Figure A-1

**Required Components of
Willow Lake School's Annual Financial Report**

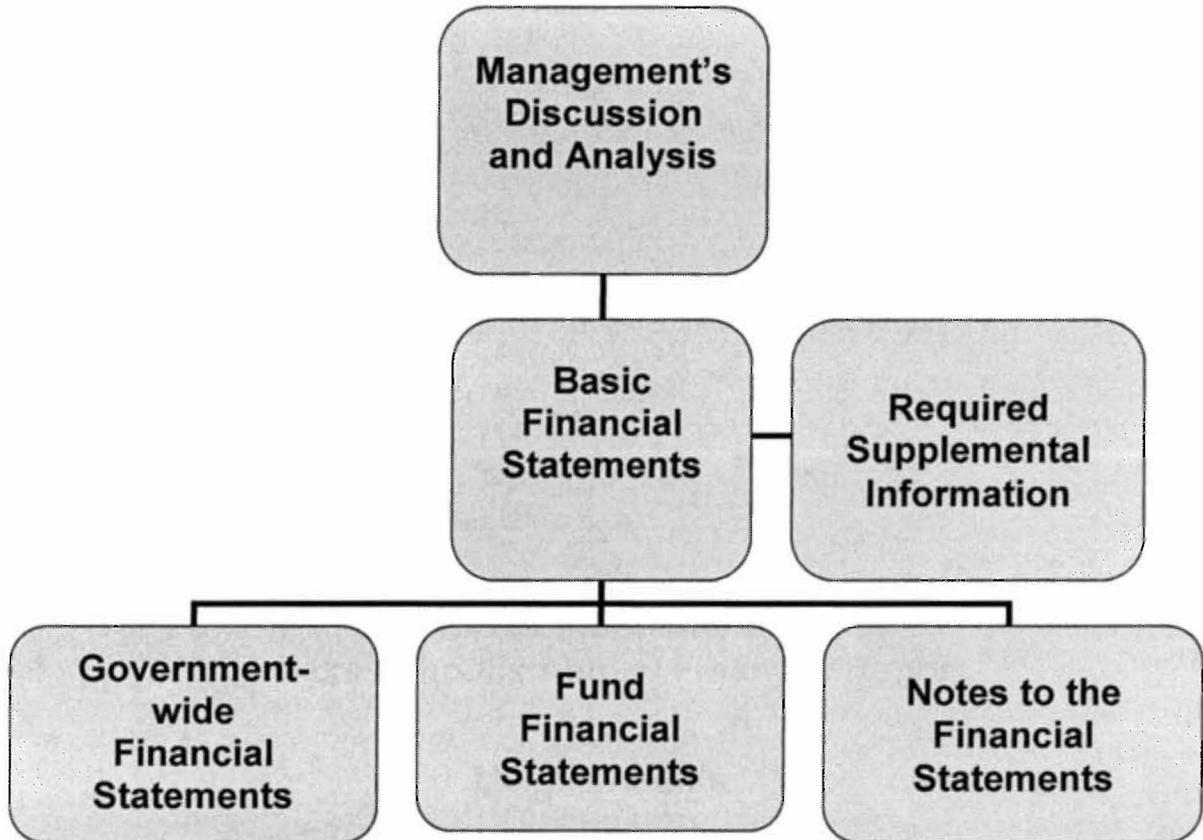


Figure A-2 summarizes the major features of the School's financial statements, including the portion of the School government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of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

FIGURE A-2

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

Government-wide Statements

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

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

- Increases or decreases in the School's net position is an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the School you need to consider additional nonfinancial factors such as changes in the School's property tax base and changes in the state school aid funding formula from the State of South Dakota.

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

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

Fund Financial Statements

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

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

The School has three kinds of funds:

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

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's combined net position increased as follows:

**TABLE A-1
WILLOW LAKE SCHOOL DISTRICT NO. 12-3
STATEMENT OF NET POSTION**

	Governmental Activities		Primary Government Business-Type Activities		Total	
	FY2014	FY2015	FY2014	FY2015	FY2014	FY2015
Current and Other Assets	\$ 3,381,170.68	\$ 3,796,865.38	\$ 35,709.71	\$ 36,092.84	\$ 3,416,880.39	\$ 3,832,958.22
Capital Assets	<u>745,465.80</u>	<u>990,296.94</u>	<u>13,129.52</u>	<u>11,523.76</u>	<u>758,595.32</u>	<u>1,001,820.70</u>
Total Assets	4,126,636.48	4,787,162.32	48,839.23	47,616.60	4,175,475.71	4,834,778.92
Deferred Outflows of Resources		<u>371,134.91</u>				<u>371,134.91</u>
Total Deferred Outflows of Resources		371,134.91				371,134.91
Long-Term Debt Outstanding	135,918.96	95,948.18			135,918.96	95,948.18
Other Liabilities	<u>208,355.92</u>	<u>317,458.98</u>	<u>1,498.46</u>	<u>926.29</u>	<u>209,854.38</u>	<u>318,385.27</u>
Total Liabilities	344,274.88	413,407.16	1,498.46	926.29	345,773.34	414,333.45
Deferred Inflows of Resources		<u>477,400.28</u>				<u>477,400.28</u>
Total Deferred Inflows of Resources		477,400.28				477,400.28
Net Position:						
Net Investment in Capital Assets	660,998.76	931,978.82	13,129.52	11,523.76	674,128.28	943,502.58
Restricted	1,232,740.66	1,595,745.91			1,232,740.66	1,595,745.91
Unrestricted	<u>1,888,622.18</u>	<u>1,739,765.06</u>	<u>34,211.25</u>	<u>35,166.55</u>	<u>1,922,833.43</u>	<u>1,774,931.61</u>
Total Net Position	3,782,361.60	4,267,489.79	47,340.77	46,690.31	3,829,702.37	4,314,180.10
Increase (Decrease) in Net Position	<u>\$ 508,211.98</u>	<u>\$ 263,785.41</u>	<u>\$ 1,449.37</u>	<u>\$ (650.46)</u>	<u>\$ 509,661.35</u>	<u>\$ 263,134.95</u>
Beginning Net Position	3,274,149.62	4,003,704.38	45,891.40	47,340.77	3,320,041.02	4,051,045.15
Ending Net Position	<u>\$ 3,782,361.60</u>	<u>\$ 4,267,489.79</u>	<u>\$ 47,340.77</u>	<u>\$ 46,690.31</u>	<u>\$ 3,829,702.37</u>	<u>\$ 4,314,180.10</u>
Percentage of Increase (Decrease) in Net Position	15.52%	6.59%	3.16%	-1.37%	15.35%	6.50%

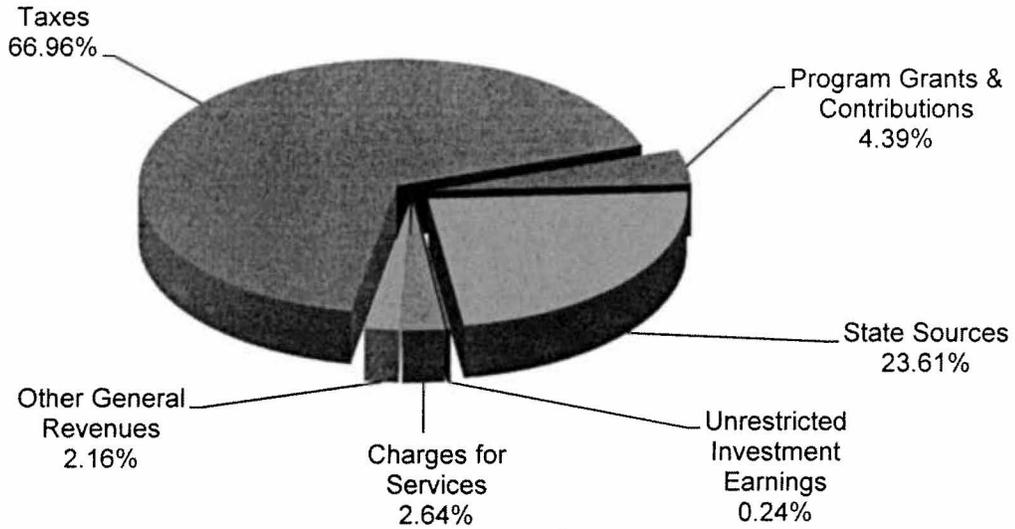
The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the school, consisting of capital financing leases, capital outlay certificates payable, compensated absences payable and early retirement benefits payable have been reported in this manner on the Statement of Net Position. The difference between the school's assets and liabilities is its net position.

Changes in Net Position

The School's total revenues (excluding special items) totaled \$2,634,605.46. (See Table A-2.) Approximately 66.96% of the School's revenue comes from property and other taxes, with approximately 23.61% coming from state aid. (See Figure A-3).

Figure A-3

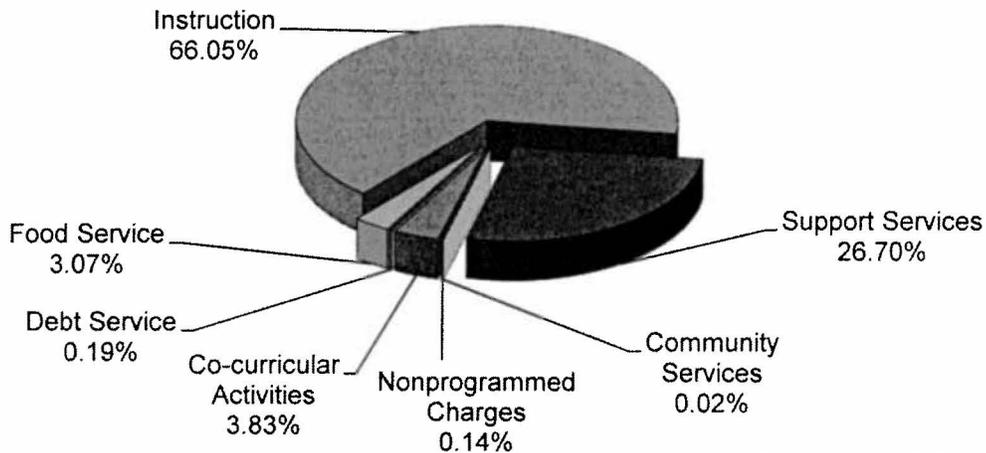
Willow Lake School District Sources of Revenues for FY2015



The Willow Lake School's total expenses were \$2,371,470.51. The School's expenses cover a range of services, with instruction at 66.05%, support services at 26.70% and food services at 3.07%. Debt services, co-curricular activities, non-programmed charges and community services make up 4.18% of expenses. (See Figure A-4)

Figure A-4

Willow Lake School District Functional Expenses for FY2015



GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

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

TABLE A-2
WILLOW LAKE SCHOOL DISTRICT 12-3
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	FY2014	FY2015	FY2014	FY2015	FY2014	FY2015
Revenues						
Program Revenues						
Charges for Services	\$ 9,574.87	\$ 26,762.53	\$ 48,726.60	\$ 42,871.30	\$ 58,301.47	\$ 69,633.83
Operating Grants and Contributions	111,884.96	84,282.01	57,432.97	31,328.68	169,317.93	115,610.69
General Revenues						
Taxes	1,915,129.40	1,764,207.31			1,915,129.40	1,764,207.31
Revenue State Sources	650,921.73	622,097.77			650,921.73	622,097.77
Other General Revenue	39,694.98	56,833.96			39,694.98	56,833.96
Unrestricted Investment Earnings	4,607.38	6,171.46	27.06	50.44	4,634.44	6,221.90
Total Revenues	\$ 2,731,813.32	\$ 2,560,355.04	\$ 106,186.63	\$ 74,250.42	\$ 2,837,999.95	\$ 2,634,605.46
Expenses						
Instruction	\$ 1,446,902.09	\$ 1,565,026.40			\$ 1,446,902.09	\$ 1,565,026.40
Support Services	673,535.28	632,615.96			673,535.28	632,615.96
Community Services	432.50	389.25			432.50	389.25
Nonprogrammed Charges	11.64	3,276.00			11.64	3,276.00
Debt Services	5,720.98	4,437.22			5,720.98	4,437.22
Cocurricular Activities	95,198.85	90,824.80			95,198.85	90,824.80
Food Service			100,408.23	72,834.78	100,408.23	72,834.78
Drivers Education			6,129.03	2,066.10	6,129.03	2,066.10
Total Expenses	\$ 2,221,801.34	\$ 2,296,569.63	\$ 106,537.26	\$ 74,900.88	\$ 2,328,338.60	\$ 2,371,470.51
Excess (Deficiency) Before Transfers						
Transfers In (Out)	(1,800.00)		1,800.00			
Increase (Decrease) in Net Position	\$ 508,211.98	\$ 263,785.41	\$ 1,449.37	\$ (650.46)	\$ 509,661.35	\$ 263,134.95
Prior Period Adjustment		221,342.78				221,342.78
NET POSITION - ENDING	\$ 3,782,361.60	\$ 4,267,489.79	\$ 47,340.77	\$ 46,690.31	\$ 3,829,702.37	\$ 4,314,180.10

GOVERNMENTAL ACTIVITIES

The governmental activities did show a slight increase in instructional, due to pay raises for FY 2015. There was a significant increase in non-programmed services due to unemployment benefits. The school district did not have any certified staff petition for early retirement in the 2014-15 school year. There was a slight decrease in debt services. The school district has two payments left on the boiler lease agreement (2010). Final payment on the boilers will be in November, 2016.

BUSINESS-TYPE ACTIVITIES

The Willow Lake School District had a slight decrease of \$650.26 in its food service and enterprise funds from FY 2014. Factors contributing to these results included:

- The school district did not raise meal prices to help spend down fund balance as our three month revenue average exceeded our three month expenditure average. In FY 2015, student participation was down for driver's education. The district was able to offset some costs by using previous year fund balance.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The General Fund had a decrease in its fund balance and ended the fiscal year at \$1,448,915.24. The Capital Outlay Fund decreased by \$27,480.34. The Special Education Fund increased by \$115,389.20. The levies for Capital Outlay and Special Education were raised for taxes 2014 payable in 2015. However, due to land valuation increases and South Dakota Codified Law, the district received \$1.768/thousand for the Capital Outlay levy, instead of the \$2.00/thousand that was requested.

GENERAL FUND BUDGETARY HIGHLIGHTS

Our enrollment decreased from the FY 2014 school year, therefore the district utilized the two-year average for state-aid calculations. The district collected .42% more in revenue by the end of 2015. This, along with previous year fund balance, allowed us the opportunity to not request opt-out dollars for FY 2016.

CAPITAL ASSET ADMINISTRATION

By the end of 2015, the School had invested \$2,075,621 in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-3.) This amount represents an increase of \$216,007 (including additions and deductions) or 12% percent increase, over last year due to the addition of fixed assets.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>FY2014</u>	<u>FY2015</u>	<u>FY2014</u>	<u>FY2015</u>	<u>FY2014</u>	<u>FY2015</u>
Land	\$ 5,800	\$ 5,800			\$ 5,800	\$ 5,800
Construction Work in Progress		260,085				260,085
Buildings	1,025,532	1,017,007			1,025,532	1,017,007
Improvements other than Building	63,753	63,753			63,753	63,753
Machinery and Equipment	611,955	576,984	46,259	46,259	658,214	623,243
Library Books	106,315	105,733			106,315	105,733
Total Capital Assets	<u>\$ 1,813,355</u>	<u>\$ 2,029,362</u>	<u>\$ 46,259</u>	<u>\$ 46,259</u>	<u>\$1,859,614</u>	<u>\$2,075,621</u>
Accumulated Depreciation	<u>(1,067,890)</u>	<u>(1,039,065)</u>	<u>(33,129)</u>	<u>(34,735)</u>	<u>(1,101,019)</u>	<u>(1,073,800)</u>
Ending Book Value	<u>\$ 745,465</u>	<u>\$ 990,297</u>	<u>\$ 13,130</u>	<u>\$ 11,524</u>	<u>\$ 758,595</u>	<u>\$1,001,821</u>

This year's capital asset purchases were a gym sound system, scoreboards & shot clocks, a wrestling mat and a 14 passenger mid bus.

LONG-TERM DEBT

The Willow Lake School District had \$58,318.12 in Capital Financing Leases and \$37,630.07 in other long-term obligations. This is a decrease of 29% as shown on Table A-4 below.

Table A-4
WILLOW LAKE SCHOOL DISTRICT 12-3
Outstanding Debt and Obligations

	Governmental Activities		Total
	FY2014	FY2015	% Change
Capital Financing Lease	\$ 84,467.04	\$ 58,318.12	-30.96%
Early Retirement Payable	37,964.00	22,480.00	-40.79%
Compensated Absences	2,362.92	2,379.07	0.68%
Other Postemployment Benefits	11,125.00	12,771.00	14.80%
Total Long-Term Liabilities	<u>\$ 135,918.96</u>	<u>\$ 95,948.19</u>	
Net Increase (Decrease)			-29.41%

The School is liable for the accrued sick leave payable to the superintendent and certified employees.

The School also maintains an early retirement plan, which allows those meeting certain qualifications to retire early and to receive a certain percent of their base salary over five years.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

One of the primary sources of revenue to the School is based on a per student allocation received from the State of South Dakota. The state aid formula for the current year ensures that property taxes plus state aid will equal \$4,781.14 per pupil plus \$847.54 small school factor. The Willow Lake School District will base our next year’s budgets on tax valuations and state aid.

CONTACTING THE SCHOOL’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School’s finances and to demonstrate the School’s accountability for the money it receives. If you have questions about this report or need additional information, contact the Willow Lake School Business Office, PO Box 170, Willow Lake, SD 57278

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
ASSETS:			
Cash and Cash Equivalents	\$ 2,213,391.79	\$ 34,722.43	\$ 2,248,114.22
Investments	165,000.00		165,000.00
Taxes Receivable	670,086.10		670,086.10
Due from Other Governments	336,184.74		336,184.74
Inventories		1,370.41	1,370.41
Net Pension Asset	412,202.75		412,202.75
Capital Assets:			
Land and Construction in Progress	265,884.67		265,884.67
Other Capital Assets, Net of Depreciation	724,412.27	11,523.76	735,936.03
TOTAL ASSETS	<u>4,787,162.32</u>	<u>47,616.60</u>	<u>4,834,778.92</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Purposes	<u>371,134.91</u>		<u>371,134.91</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	<u>5,158,297.23</u>	<u>47,616.60</u>	<u>5,205,913.83</u>
LIABILITIES :			
Accounts Payable	\$ 79,916.46	\$	\$ 79,916.46
Accrued Salaries and Benefits Payable	237,542.51	148.89	237,691.40
Deferred Revenue		777.40	777.40
Noncurrent Liabilities:			
Due Within One Year	39,195.29		39,195.29
Due in More than One Year	56,752.89		56,752.89
TOTAL LIABILITIES	<u>413,407.16</u>	<u>926.29</u>	<u>414,333.45</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension Purposes	<u>477,400.28</u>		<u>477,400.28</u>
TOTAL LIABILITIES AND INFLOWS OF RESOURCES:	<u>890,807.44</u>	<u>926.29</u>	<u>891,733.73</u>
NET POSITION:			
Net Investment in Capital Assets	931,978.82	11,523.76	943,502.58
Restricted for:			
Capital Outlay	838,119.87		838,119.87
Special Education	423,617.14		423,617.14
Pension	28,071.52		28,071.52
SDRS Pension Purposes	305,937.38		305,937.38
Unrestricted	1,739,765.06	35,166.55	1,774,931.61
TOTAL NET POSITION	<u>\$ 4,267,489.79</u>	<u>\$ 46,690.31</u>	<u>\$ 4,314,180.10</u>

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

**WILLOW LAKE SCHOOL DISTRICT NO. 12-3
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	<u>Total</u>
Primary Government:						
Governmental Activities:						
Instruction	\$ 1,565,026.40	\$	\$ 84,282.01	\$ (1,480,744.39)	\$	\$ (1,480,744.39)
Support Services	632,615.96	17,411.28		(615,204.68)		(615,204.68)
Community Services	389.25			(389.25)		(389.25)
Nonprogrammed Charges	3,276.00			(3,276.00)		(3,276.00)
*Interest on Long-term Debt	4,437.22			(4,437.22)		(4,437.22)
Cocurricular Activities	90,824.80	9,351.25		(81,473.55)		(81,473.55)
Total Governmental Activities	<u>2,296,569.63</u>	<u>26,762.53</u>	<u>84,282.01</u>	<u>(2,185,525.09)</u>		<u>(2,185,525.09)</u>
Business-type Activities:						
Food Service	72,834.78	41,071.30	31,328.68		(434.80)	(434.80)
Drivers Education	2,066.10	1,800.00			(266.10)	(266.10)
Total Business-type Activities	<u>74,900.88</u>	<u>42,871.30</u>	<u>31,328.68</u>		<u>(700.90)</u>	<u>(700.90)</u>
Total Primary Government	<u>\$ 2,371,470.51</u>	<u>\$ 69,633.83</u>	<u>\$ 115,610.69</u>	<u>\$ (2,185,525.09)</u>	<u>\$ (700.90)</u>	<u>(2,186,225.99)</u>

*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			1,454,666.30		1,454,666.30
Utility Taxes			309,541.01		309,541.01
Revenue from State Sources:					
State Aid			622,097.77		622,097.77
Unrestricted Investment Earnings			6,171.46	50.44	6,221.90
Other General Revenues			56,833.96		56,833.96
Total General Revenues			<u>2,449,310.50</u>	<u>50.44</u>	<u>2,449,360.94</u>
Change in Net Position			<u>263,785.41</u>	<u>(650.46)</u>	<u>263,134.95</u>
Net Position-Beginning			3,782,361.60	47,340.77	3,829,702.37
Prior Period Adjustment			221,342.78		221,342.78
Adjusted Beginning Net Position			<u>4,003,704.38</u>	<u>47,340.77</u>	<u>4,051,045.15</u>
NET POSITION - ENDING			<u>\$ 4,267,489.79</u>	<u>\$ 46,690.31</u>	<u>\$ 4,314,180.10</u>

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

**WILLOW LAKE SCHOOL DISTRICT NO. 12-3
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 1,355,088.39	\$ 517,315.82	\$ 340,987.58	\$	\$ 2,213,391.79
Investments		165,000.00			165,000.00
Taxes Receivable--Current	327,623.34	215,667.76	97,607.27	28,045.55	668,943.92
Taxes Receivable--Delinquent	856.55	160.50	99.16	25.97	1,142.18
Due from Other Governments	336,184.74				336,184.74
TOTAL ASSETS	\$ 2,019,753.02	\$ 898,144.08	\$ 438,694.01	\$ 28,071.52	\$ 3,384,662.63
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 19,892.25	\$ 60,024.21	\$	\$	\$ 79,916.46
Contracts Payable	174,959.21		11,915.19		186,874.40
Payroll Deductions and Withholdings and employer Matching Payable	47,506.43		3,161.68		50,668.11
Total Liabilities	242,357.89	60,024.21	15,076.87		317,458.97
 Deferred Inflows of Resources:					
Unavailable Revenue-Property Taxes	328,479.89	215,828.26	97,706.43	28,071.52	670,086.10
Total Deferred Inflows of Resources	328,479.89	215,828.26	97,706.43	28,071.52	670,086.10
 Fund Balances:					
Restricted		622,291.61	325,910.71		948,202.32
Assigned	351,120.00				351,120.00
Unassigned	1,097,795.24				1,097,795.24
Total Fund Balances	1,448,915.24	622,291.61	325,910.71		2,397,117.56
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,019,753.02	\$ 898,144.08	\$ 438,694.01	\$ 28,071.52	\$ 3,384,662.63

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

**WILLOW LAKE SCHOOL DISTRICT NO. 12-3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total Fund Balances - Governmental Funds		\$ 2,397,117.56
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
The cost of the assets is:	\$ 2,029,361.87	
The accumulated depreciation is:	<u>(1,039,064.93)</u>	990,296.94
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:</p>		
Capital Leases Payable	(58,318.12)	
Other Post Employment Benefits	(12,771.00)	
Compensated Absences	(2,379.07)	
Early Retirement Benefits Payable	<u>(22,480.00)</u>	(95,948.19)
<p>Net Pension Asset Reported in governmental activities is not an available financial resource and therefore is not reported in the funds.</p>		
		412,202.75
<p>Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.</p>		
		371,134.91
<p>Pension related deferred inflows are components of pension liability and therefore are not reported in the funds.</p>		
		(477,400.28)
<p>Assets such as taxes receivable are not available to pay for current period expenditures and therefore are deferred in the funds.</p>		
		<u>670,086.10</u>
Net Position - Governmental Funds		<u>\$ 4,267,489.79</u>

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

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
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>Total Governmental Funds</u>
Revenues:					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	\$ 764,829.35	\$ 468,142.12	\$ 248,425.02	\$ 62,441.32	\$ 1,543,837.81
Tax Deed Revenue	1,171.37				1,171.37
Prior Years' Ad Valorem Taxes	2,678.29	772.91	480.80	114.86	4,046.86
Utility Taxes	309,541.01				309,541.01
Penalties and Interest on Taxes	1,610.04	977.78	596.41	134.76	3,318.99
Earnings on Investments and Deposits	2,096.44	3,644.30	398.76	31.96	6,171.46
Cocurricular Activities:					
Other Revenue from Local Sources:					
Rentals	165.00				165.00
Contributions and Donations	418.45	223.60			642.05
Charge for Services	2,437.15		751.39		3,188.54
Other	3,670.83				3,670.83
Revenue from Intermediate Sources:					
County Sources:					
County Apportionment	14,168.38				14,168.38
Revenue in Lieu of Taxes	5,568.05				5,568.05
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid	622,097.77				622,097.77
Restricted Grants-in-Aid	6,950.00				6,950.00
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted Grants-in-Aid Received from Federal Government Through the State	74,143.47				74,143.47
Other Federal Revenue	30,400.65				30,400.65
Total Revenue	<u>1,851,297.50</u>	<u>473,760.71</u>	<u>250,652.38</u>	<u>62,722.90</u>	<u>2,638,433.49</u>

Expenditures:

Instruction:

Regular Programs:

Elementary	620,277.24	43,650.29	26,483.67	690,411.20
Middle/Junior High	218,244.65		10,219.53	228,464.18
High School	344,732.17	92,311.43	14,901.56	451,945.16
Other Regular programs	6,585.48		299.87	6,885.35

Special Programs:

Programs for Special Education			121,899.52	121,899.52
Programs for Educationally Deprived	90,017.81			90,017.81

Support Services:

Pupils:

Guidance	16,152.44		173.40	795.00	17,120.84
Psychology			2,780.64		2,780.64
Speech Pathology			5,344.08		5,344.08
Student Therapy Services			4,216.92		4,216.92

Support Services - Instructional Staff:

Improvement of Instruction	15,540.00				15,540.00
Educational Media	67,200.98			1,590.00	68,790.98

Support Services - General Administration:

Board of Education	46,512.64	5,000.00	748.62		52,261.26
Executive Administration	87,147.89			3,750.00	90,897.89

Support Services - School Administration:

Office of the Principal	43,222.42			1,500.00	44,722.42
Other	575.95				575.95

Support Services - Business:

Fiscal Services	59,623.03	3,700.00		2,400.00	65,723.03
Facilities Acquisition and Construction		11,669.00			11,669.00
Operation and Maintenance of Plant	135,558.74				135,558.74
Pupil Transportation	95,562.04				95,562.04
Food Services	4,527.47				4,527.47

Support Services - Special Education:

Administrative Costs			100.00		100.00
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WILLOW LAKE SCHOOL DISTRICT NO. 12-3
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	Total Governmental Funds
Support Services - Central:					
Purchased Services	150.00				150.00
Staff Services	389.25				389.25
Nonprogrammed Charges					
Unemployment Insurance	3,276.00				3,276.00
Early Retirement Payments	14,700.73			783.27	15,484.00
Debt Services		30,586.14			30,586.14
Cocurricular Activities:					
Male Activities	22,697.00	2,529.87			25,226.87
Female Activities	35,554.60	829.00			36,383.60
Transportation	14,919.28				14,919.28
Combined Activities	4,059.92				4,059.92
Capital Outlay		313,065.32			313,065.32
Total Expenditures	1,947,227.73	503,341.05	135,263.18	62,722.90	2,648,554.86
Excess of Revenue Over (Under)					
Expenditures	(95,930.23)	(29,580.34)	115,389.20		(10,121.37)
Other Financing Sources:					
Sale of Surplus Property	119.00	2,100.00			2,219.00
Net Change in Fund Balances	(95,811.23)	(27,480.34)	115,389.20		(7,902.37)
Fund Balance Beginning	1,544,726.47	649,771.95	210,521.51	0.00	2,405,019.93
FUND BALANCE - ENDING	\$ 1,448,915.24	\$ 622,291.61	\$ 325,910.71	\$ 0.00	\$ 2,397,117.56

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

**WILLOW LAKE SCHOOL DISTRICT NO. 12-3
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 \$ (7,902.37)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense during this period.

Capital Outlays	\$ 313,065.32	
Depreciation Expense	<u>(68,234.18)</u>	244,831.14

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of the repayments.

Capital Lease Payable		26,148.92
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Governmental funds do not reflect the change in accrued expenditures, but the statement of activities reflects the change in expenditures.

Accrued Leave Payable	(16.15)	
Early Retirement Payable	15,484.00	
Other Postemployment Benefits Payable	<u>(1,646.00)</u>	13,821.85

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.

84,594.60

Governmental funds report property taxes as revenue when they meet the available criteria. Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues decreased by this amount this year.

(97,708.73)

Change in Net Position of Governmental Activities		<u>\$ 263,785.41</u>
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The notes to the financial statements are an integral part of this statement

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 34,667.56	\$ 54.87	\$ 34,722.43
Due from Other Governments			
Inventory of Supplies	402.67		402.67
Inventory of Stores Purchased for Resale	868.18		868.18
Inventory of Donated Food	99.56		99.56
Total Current Assets	<u>36,037.97</u>	<u>54.87</u>	<u>36,092.84</u>
Capital Assets:			
Machinery and Equipment	46,258.93		46,258.93
Less: Accumulated Depreciation	<u>(34,735.17)</u>		<u>(34,735.17)</u>
Total Noncurrent Assets	<u>11,523.76</u>		<u>11,523.76</u>
TOTAL ASSETS	<u>47,561.73</u>	<u>54.87</u>	<u>47,616.60</u>
LIABILITIES:			
Current Liabilities:			
Contracts Payable	139.22		139.22
Payroll Deductions and Withholdings and Employer Matching Payable	9.67		9.67
Unearned Revenue	777.40		777.40
Total Current Liabilities	<u>926.29</u>		<u>926.29</u>
NET POSITION:			
Net Investment in Capital Assets	11,523.76		11,523.76
Unrestricted Net Position	<u>35,111.68</u>	<u>54.87</u>	<u>35,166.55</u>
Total Net Position	<u>\$ 46,635.44</u>	<u>\$ 54.87</u>	<u>\$ 46,690.31</u>

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

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Total
Operating Revenue:			
Sales:			
To Pupils	\$ 37,748.80	\$	\$ 37,748.80
To Adults	3,322.50		3,322.50
Tuition and Fees:			
Non-Credit Tuition		1,800.00	1,800.00
Total Operating Revenue	41,071.30	1,800.00	42,871.30
Operating Expenses:			
Food Service:			
Salaries	23,105.74		23,105.74
Employee Benefits	3,352.24		3,352.24
Purchased Services	892.42		892.42
Supplies	1,988.34		1,988.34
Cost of Sales-Purchased Food	39,723.19		39,723.19
Cost of Sales-Donated Food	2,167.09		2,167.09
Depreciation	1,605.76		1,605.76
Other Community Services:			
Salaries		1,755.00	1,755.00
Employee Benefits		134.26	134.26
Supplies		176.84	176.84
Total Operating Expenses	72,834.78	2,066.10	74,900.88
Operating Income (Loss)	(31,763.48)	(266.10)	(32,029.58)
Nonoperating Revenue (Expense):			
Local Sources:			
Investment Earnings	50.44		50.44
State Sources:			
Other Cash Payments	637.00		637.00
Federal Sources:			
Cash Reimbursements	28,742.26		28,742.26
Donated Food	1,949.42		1,949.42
Total Nonoperating Revenue (Expense)	31,379.12		31,379.12
Change in Net Position	(384.36)	(266.10)	(650.46)
Beginning Net Position	47,019.80	320.97	47,340.77
NET POSITION - ENDING	\$ 46,635.44	\$ 54.87	\$ 46,690.31

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

**WILLOW LAKE SCHOOL DISTRICT NO. 12-3
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Food Service Fund	Enterprise Funds Other Enterprise Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 41,848.70	\$ 1,800.00	\$ 43,648.70
Payments to Suppliers	(43,521.51)	(176.84)	(43,698.35)
Payments to Employees	<u>(26,451.51)</u>	<u>(1,889.26)</u>	<u>(28,340.77)</u>
Net Cash Provided (Used) by Operating Activities	<u>(28,124.32)</u>	<u>(266.10)</u>	<u>(28,390.42)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Subsidies	<u>31,009.38</u>	<u> </u>	<u>31,009.38</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>31,009.38</u>	<u> </u>	<u>31,009.38</u>
Cash Flows from Investing Activities:			
Interest Received	<u>50.44</u>	<u> </u>	<u>50.44</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 2,935.50</u>	<u>\$ (266.10)</u>	<u>\$ 2,669.40</u>
Cash and Cash Equivalents at Beginning of Year	\$ 31,732.06	\$ 320.97	32,053.03
Cash and Cash Equivalents at End of Year	<u>34,667.56</u>	<u>54.87</u>	<u>34,722.43</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 2,935.50</u>	<u>\$ (266.10)</u>	<u>\$ 2,669.40</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (31,763.48)	\$ (266.10)	\$ (32,029.58)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	1,605.76		1,605.76
Value of Commodities Used	2,167.09		2,167.09
Change in Assets and Liabilities:			
Inventories	438.48		438.48
Accounts Payable	(1,356.04)		(1,356.04)
Accrued Wages Payable	6.47		6.47
Unearned Revenue	<u>777.40</u>	<u> </u>	<u>777.40</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (28,124.32)</u>	<u>\$ (266.10)</u>	<u>\$ (28,390.42)</u>
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	\$ 1,949.42		

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

**WILLOW LAKE SCHOOL DISTRICT NO. 12-3
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	Private- Purpose Trust Funds	Agency Funds
ASSETS:		
Cash and Cash Equivalents	<u>\$ 6,473.93</u>	<u>\$ 32,829.09</u>
TOTAL ASSETS	<u>6,473.93</u>	<u>32,829.09</u>
 LIABILITIES:		
Amounts Held for Others	<u> </u>	32,829.09
Total Liabilities	<u> </u>	<u>\$ 32,829.09</u>
 NET POSITION:		
Held in Trust	<u>6,473.93</u>	
Total Net Position	<u>\$ 6,473.93</u>	

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

**WILLOW LAKE SCHOOL DISTRICT NO. 12-3
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Private-Purpose Trust Funds</u>
ADDITIONS:	
Interest Earned	<u>\$ 86.24</u>
Change in Net Position	86.24
Net Position - Beginning	<u>6,387.69</u>
NET POSITION - ENDING	<u><u>\$ 6,473.93</u></u>

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

**WILLOW LAKE SCHOOL DISTRICT NO. 12-3
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity

The reporting entity of Willow Lake School District No. 12-3, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

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

Governmental Funds:

General Fund - A fund established by South Dakota Codified 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 Funds - 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 School District. This fund is financed by grants and property taxes. This is a major fund.

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

Proprietary Funds:

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

- a. *The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related party or component unit – even if that government is not expected to make any payments – is not payable solely from fees and charges of the activity.*
- b. *Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.*
- c. *The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).*

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

Other Enterprise Fund – A fund used to record financial transactions related to driver's education activities. This fund is financed by user charges and fees. This is a major fund.

Fiduciary Funds:

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

Private-Purpose Trust Funds – private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The school district maintains private-purpose trust funds for scholarships.

Agency Funds - agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds for the following purposes: class funds, student organizations, and clearing accounts.

c. Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Willow Lake School District No. 12-3, the length of that cycle is 60 days. At June 30, 2015, the revenues being accrued include amounts due from other governments..

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred 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 fund and fiduciary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Deposits and Investments:

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

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

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 Financial Statements

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

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

The total June 30, 2015 balance of capital assets for governmental activities includes approximately 6.00% for which the costs were determined by estimates of original costs. The total June 30, 2015 balance of capital assets for business-type activities are valued at original cost. These estimated original costs were established by prior records at cost or historical costs.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	ALL	NA	NA
Improvements	\$ 10,000.00	Straight Line	15-25 yrs
Buildings	20,000.00	Straight Line	50 yrs
Equipment and Vehicles	2,000.00	Straight Line	5-20 yrs
Food Service Machinery and Equipment	1,000.00	Straight Line	5-20 yrs

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

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 or fund financial statements.

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

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

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, noncapital financing activities, or investing activities are not reported as components of operating revenues or 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.

j. Equity Classifications

Government-wide Financial Statements:

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

1. Net Investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net position that does 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 is available.

l. Deferred Inflows and Deferred Outflows of Resources:

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

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

m. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the school board.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

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

A schedule of fund balances is provided as follows:

**WILLOW LAKE SCHOOL DISTRICT NO. 12-3
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:				
<i>Restricted for:</i>				
Capital Outlay	\$	\$ 622,291.61	\$	\$ 622,291.61
Special Education			325,910.71	325,910.71
<i>Assigned to:</i>				
Unemployment	2,400.00			2,400.00
Subsequent Year's Budget	348,720.00			348,720.00
<i>Unassigned</i>	<u>1,097,795.24</u>			<u>1,097,795.24</u>
Total Fund Balances	<u>\$ 1,448,915.24</u>	<u>\$ 622,291.61</u>	<u>\$ 325,910.71</u>	<u>\$ 2,397,117.56</u>

n. Pensions

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

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

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

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

Investments – In general, SDCL 4-5-6 permits school 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.

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 investments to the fund making the investment.

NOTE 3 – 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. No allowance has been made for estimated uncollectible amounts.

NOTE 4 - INVENTORY

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

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

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. No material inventories were on hand as of June 30, 2015 in the governmental

funds.

NOTE 5 - PROPERTY TAXES

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statement, even though collection will occur in a future fiscal year.

NOTE 6 - CHANGES IN CAPITAL ASSETS

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

Primary Government	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 5,800.00	\$	\$	\$ 5,800.00
Construction in Work in Progress		260,084.67		260,084.67
Total, not being depreciated	5,800.00	260,084.67		265,884.67
Capital Assets, being depreciated:				
Buildings	1,025,532.15		(8,524.85)	1,017,007.30
Improvements Other than Buildings	63,753.35			63,753.35
Machinery and Equipment	611,954.90	52,980.65	(87,952.00)	576,983.55
Library Books	106,315.00		(582.00)	105,733.00
Total, being depreciated	1,807,555.40	52,980.65	(97,058.85)	1,763,477.20
Less Accumulated Depreciation:				
Buildings	(533,495.97)	(18,979.35)	8,524.85	(543,950.47)
Improvements Other than Buildings	(37,514.68)	(1,874.19)		(39,388.87)
Machinery and Equipment	(437,429.14)	(42,093.99)	87,952.00	(391,571.13)
Library Books	(59,449.81)	(5,286.65)	582.00	(64,154.46)
Total Accumulated Depreciation	(1,067,889.60)	(68,234.18)	97,058.85	(1,039,064.93)
Total Capital Assets, being depreciated, net	739,665.80	(15,253.53)		724,412.27
Total	\$ 745,465.80	\$ 244,831.14	\$	\$ 990,296.94

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	\$ 40,940.50
Support Services	17,058.55
Cocurricular	10,235.13
Total depreciation expense - governmental activities	\$ 68,234.18

Business Type Activities:	Balance 06/30/14	Increases	Decreases	Balance 06/30/15
Capital Assets, depreciated:				
Machinery and Equipment	\$ 46,258.93	\$	\$	\$ 46,258.93
Less Accumulated Depreciation:				
Machinery and Equipment	<u>33,129.41</u>	<u>1,605.76</u>		<u>34,735.17</u>
Business-type activity capital assets, net	<u>\$ 13,129.52</u>	<u>\$ (1,605.76)</u>	<u>\$ 0.00</u>	<u>\$ 11,523.76</u>

Depreciation expense was charged to functions as follows:

Business-type Activity	
Total Depreciation expense-business-type activities	<u>\$ 1,605.76</u>

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

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended to 6/30/2015</u>	<u>Comitted</u>
School Renovation	\$3,900,000.00	\$ 260,084.67	\$ 3,639,915.33

NOTE 7 - LONG -TERM LIABILITIES

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

Primary Government

Governmental Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital Financing Leases	\$ 84,467.04	\$	\$ 26,148.92	\$ 58,318.12	\$27,525.76
Early Retirement Payable	37,964.00		15,484.00	22,480.00	10,480.00
Other Postemployment Benefits	11,125.00	8,871.00	7,225.00	12,771.00	
Accrued Compensated Absences	<u>2,362.92</u>	<u>1,184.15</u>	<u>1,168.00</u>	<u>2,379.07</u>	<u>1,189.53</u>
Total Governmental Activities	<u>\$ 135,918.96</u>	<u>\$ 10,055.15</u>	<u>\$ 50,025.92</u>	<u>\$ 95,948.19</u>	<u>\$ 39,195.29</u>

Compensated absences for governmental activities, early retirement benefits payable and other postemployment benefits typically have been liquidated from the General Fund.

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

Capital Financing Leases

Lease agreement with PNC Equipment Finance dated September 2, 2010. Interest rates of 7%, payable annually. Final maturity is September 2016. Payments to be made from Capital Outlay Fund \$ 42,210.26

Lease Agreement with Marco dated August 23, 2012. Interest rate of 0%. Final maturity in 2017. Payments to be made from Capital Outlay Fund 16,107.86

Early Retirement Benefits Payable:

Obligations to individuals who participate in the early retirement plan. Payments are made from the General Fund. 22,480.00

Compensated Absences:

Vested annual leave. Payments are made from the General Fund. 2,379.07

Other Post Employment Benefits Payable:

Obligations to individuals who are retired or will retire from the school district and who will receive post - employment benefits. Payments are to be made from the General Fund. 12,771.00

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

Year Ending June 30,	Capital Financing Leases		Early Retirement Payable	Totals	
	Principal	Interest	Principal	Principal	Interest
2016	\$ 27,525.76	\$ 3,060.38	\$ 10,480.00	\$ 38,005.76	\$ 3,060.38
2017	29,002.42	1,583.720	6,000.00	35,002.42	1,583.72
2018	1,789.94		6,000.00	7,789.94	
Totals	<u>\$ 58,318.12</u>	<u>\$ 4,644.10</u>	<u>\$ 22,480.00</u>	<u>\$ 80,798.12</u>	<u>\$ 4,644.10</u>

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

	PNC Equipment Finance Lease	Marco Copier Lease
Principal	\$ 180,433.00	\$ 35,795.00
Interest	23,070.00	
TOTAL	<u>\$ 203,503.00</u>	<u>\$ 35,795.00</u>

NOTE 8 – OPERATING LEASES

The School District is obligated under certain leases accounted for as operating leases. The School District leases 2 copy machines. The operating portion of the lease relates to the

operation or upkeep of the copy machines. Operating leases do not give rise to property rights or lease obligation. Payments are made monthly from the General Fund.

The following are the minimum payments on the existing operating leases:

Year	Capital Outlay	
	Amount	
2016	\$	5,433.48
2017		4,527.90

NOTE 9 – POST EMPLOYMENT HEALTHCARE PLAN

Plan Description: Willow Lake School District has a single-employer defined benefit medical plan administered by Sanford Health of South Dakota. This plan provides medical insurance benefits to eligible current employees, as well as retirees meeting eligibility requirements. After eligibility for retiree benefits is established, retirees must pay premiums until they are eligible for Medicare. Subject to the requirements of South Dakota Codified Law 3-12-65 and 3-12-66, SDCL 13-10-4 allows the School Board to enter into retirement pension agreement with its employees. In addition, SDCL 6-1-16 specifically allows any school district to provide health insurance for retiring employees and their immediate families. The liability exists because of an implicit subsidy of costs of the benefits to retirees of the district. The Sanford Health Plan issues an actuarial report that includes required supplementary information. That report may be obtained by writing to the Willow Lake School District, PO Box 70, Willow Lake, SD 57278 or by calling 605-625-5945.

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

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

Annual required contribution	\$	9,088
Interest on net OPEB obligation		334
Adjustment to annual required contribution		(551)
Annual OPEB cost (expense)		8,871
Contributions made		(7,225)
(Decrease) in net OPEB obligation		1,646
Net OPEB obligation - beginning of year		11,125
Net OPEB obligation - end of year	\$	<u>12,771</u>

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

<u>Year Ended</u>	<u>OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>OPEB Obligation</u>
6/30/2013	\$6,298	226.98%	\$15,450
6/30/2014	6,567	165.86%	11,255
6/30/2015	8,871	81.45%	12,771

Funded Status and Funding Progress: As of June 30, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$58,181, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$58,181.

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

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

In the June 30, 2015 actuarial valuation, the Unit Credit Actuarial Cost Method (with attribution through all years of employment) was used to allocate the cost of benefits to years of active service. The objective under this method is to expense each participant's benefit under the plan proportional to the service rendered. At the time the funding method is introduced, there will be a liability, which represents the contributions, which would have accumulated if this method of funding had always been used (called the Actuarial Liability). The difference between this actuarial liability and the assets, if any, is the unfunded actuarial liability, which is typically amortized over a period of years. The maximum permissible years under GASB 45 is 30 years.

NOTE 10 – RESTRICTED NET POSITION

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

<u>Major Purposes:</u>	<u>Restricted by</u>	<u>Amount</u>
Capital Outlay Purposes	Law	\$ 838,119.87
Special Education Purposes	Law	423,617.14
Pension Purposes	Law	28,071.52
SDRS Pension Purposes	Law	305,937.38
Total Restricted Net Position		<u>\$ 1,595,745.91</u>

NOTE 11 - JOINT VENTURES

The school district participates in the Northeast Educational Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing public support services to the member school districts.

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

Arlington	3.93%	Hamlin	9.97%
Britton-Hecia	6.77%	Henry	2.40%
Castlewood	3.67%	Iroquois	3.03%
Clark	5.07%	Lake Preston	2.29%
DeSmet	4.39%	Rosholt	2.93%
Deubrook	4.81%	Sioux Valley	8.09%
Deuel	6.85%	Summit	2.28%
Elkton	4.42%	Waubay	2.34%
Enemy Swim	2.42%	Waverly/South	2.97%
Estelline	3.57%	Webster	7.42%
Florence	2.88%	Willow Lake	3.15%
Grant-Deuel	1.47%	Wilmot	2.88%

The co-op's governing board is composed of one school board member representative from each member school district. The board is responsible for adopting the co-op's budget and for 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 Northeast Educational Services Cooperative.

At June 30, 2015, this joint venture had total assets of \$1,573,954.47, total liabilities of \$415,200.27, and net position of \$1,158,754.20.

NOTE 12 – PENSION PLAN

Plan Information:

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

Benefits Provided:

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2015, 2014, and 2013 were \$67,183.32, \$60,030.83, and \$59,453.83, respectively, equal to the required contributions each year.

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

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

Proportionate share of net position restricted for pension benefits	\$ 6,068,995.62
Less proportionate share of total pension assets	<u>5,656,792.87</u>
Proportionate share of net pension asset	<u>\$ 412,202.75</u>

At June 30 2015, the School District reported an asset of \$412,202.75 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014 and the total pension asset used to calculate the net pension asset was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2014, the School District's proportion was .0572139%, which is an increase of .0572139% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension revenue of \$17,411.29. At June 30, 2015 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 34,877.93	\$
Changes in assumption	269,073.67	
Net difference between projected and actual earnings on pension plan investments		477,400.28
District contributions subsequent to the measurement date	<u>67,183.32</u>	
TOTAL	<u>\$ 371,134.91</u>	<u>\$ 477,400.28</u>

\$67,183.32 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:

2015	\$ (32,754.17)
2016	(32,754.17)
2017	(32,754.17)
2018	<u>(75,186.16)</u>
TOTAL	<u>\$ (173,448.68)</u>

Actuarial Assumptions:

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

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

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits

on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 407,333.85	\$ (412,202.75)	\$ (1,080,620.39)

Pension Plan Fiduciary Net Position:

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

NOTE 13 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to tort; 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 for its employees from a commercial insurance 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.

Worker's Compensation

The School District purchases liability insurance for worker'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, three claims for unemployment benefits were filed for \$3,726.00. No claims are anticipated in the next fiscal year.

NOTE 14 – EARLY RETIREMENT PLAN

The Willow Lake School District has an early retirement plan in effect. The criteria to determine eligibility includes years of service and employee age. Under the plan, the district will pay 75% to 100% of the current salary on contract. During the fiscal year 2015, three employees participated in the program. Payments to those employees totaled \$15,484 during the year.

NOTE 15 – SIGNIFICANT CONTINGENCIES - LITIGATION

At June 30, 2015, the school district was not involved in any litigation.

NOTE 16 – SUBSEQUENT EVENTS

In August of 2015, the School District issued Capital Outlay Certificates in the amount of \$3,530,000 to finance the school renovation project.

NOTE 17 – PERIOR PERIOD ADJUSTMENT

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

Net Position July 1, 2014, as previously reported	\$ 77,442.12
Restatement for pension accounting:	
Net Pension Asset	161,311.95
Pension Related Deferred Outflows of Resources	<u>67,183.32</u>
Net Position July 1, 2014, as restated	<u>\$ 305,937.39</u>

**REQUIRED SUPPLEMENTARY INFORMATION
WILLOW LAKE SCHOOL DISTRICT NO. 12-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 741,400.00	\$ 742,150.00	\$ 764,829.35	\$ 22,679.35
Prior Years' Ad Valorem Taxes	2,500.00	2,500.00	2,678.29	178.29
Tax Deed Revenue			1,171.37	1,171.37
Utility Taxes	280,000.00	280,000.00	309,541.01	29,541.01
Penalties and Interest on Taxes	2,800.00	2,800.00	1,610.04	(1,189.96)
Earnings on Investments/ Deposits	1,100.00	1,100.00	2,096.44	996.44
Cocurricular Activities:				
Admissions	10,350.00	10,350.00	9,351.25	(998.75)
Other Revenue from Local Sources:				
Rentals	900.00	900.00	165.00	(735.00)
Contributions	500.00	500.00	418.45	(81.55)
Charges for Services	6,700.00	6,700.00	2,437.15	(4,262.85)
Other	750.00	750.00	3,670.83	2,920.83
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	12,500.00	12,500.00	14,168.38	1,668.38
Revenue in Lieu of Taxes	2,500.00	2,500.00	5,568.05	3,068.05
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	656,500.00	656,500.00	622,097.77	(34,402.23)
Restricted Grants-in-Aid	5,000.00	5,000.00	6,950.00	1,950.00
Revenue from Federal Sources:				
Restricted Grants-in-Aid Received from Federal Government through the State	92,390.00	92,390.00	74,143.47	(18,246.53)
Other Federal Revenue	27,000.00	27,000.00	30,400.65	3,400.65
Total Revenue	<u>1,842,890.00</u>	<u>1,843,640.00</u>	<u>1,851,297.50</u>	<u>7,657.50</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary School	649,668.00	649,668.00	620,277.24	29,390.76
Middle/Junior High	217,723.00	218,473.00	218,244.65	228.35
High School	360,193.00	360,193.00	344,732.17	15,460.83
Other Regular Programs	11,165.00	11,165.00	6,585.48	4,579.52

**REQUIRED SUPPLEMENTARY INFORMATION
WILLOW LAKE SCHOOL DISTRICT NO. 12-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Special Programs:				
Educationally Deprived	107,153.00	107,153.00	90,017.81	17,135.19
Support Services				
Guidance	16,674.00	16,674.00	16,152.44	521.56
Support Services - Instructional Staff:				
Improvement of Instruction	13,500.00	13,500.00	15,540.00	(2,040.00)
Educational Media	93,072.00	93,072.00	67,200.98	25,871.02
Support Services - General Administration:				
Board of Education	52,506.00	52,506.00	46,512.64	5,993.36
Executive Administration	90,059.00	90,059.00	87,147.89	2,911.11
Support Services - School Administration:				
Office of the Principal	45,804.00	45,804.00	43,222.42	2,581.58
Other	500.00	500.00	575.95	(75.95)
Support Services - Business:				
Fiscal Services	61,770.00	61,770.00	59,623.03	2,146.97
Operation and Maintenance of Plant	154,553.00	154,553.00	135,558.74	18,994.26
Pupil Transportation	130,625.00	130,625.00	95,562.04	35,062.96
Food Services	5,300.00	5,300.00	4,527.47	772.53
Support Services - Central:				
Purchased Services	500.00	500.00	150.00	350.00
Staff Services	500.00	500.00	389.25	110.75
Non Programmed Charges:				
Unemployment	5,000.00	5,000.00	3,276.00	1,724.00
Early Retirement	15,485.00	15,485.00	14,700.73	784.27
Cocurricular Activities:				
Male Activities	39,141.00	39,141.00	22,697.00	16,444.00
Female Activities	39,461.00	39,461.00	35,554.60	3,906.40
Transportation	26,820.00	26,820.00	14,919.28	11,900.72
Combined Activities	4,493.00	4,493.00	4,059.92	433.08
Contingencies	10,000.00	10,000.00		10,000.00
Total Expenditures	<u>2,151,665.00</u>	<u>2,152,415.00</u>	<u>1,947,227.73</u>	<u>205,187.27</u>
Excess of Revenue Over (Under)				
Expenditures	(308,775.00)	(308,775.00)	(95,930.23)	212,844.77
Other Financing Sources:				
Transfers Out	(1,000.00)	(1,000.00)		1,000.00
Sale of Surplus Property			119.00	119.00
Total Other Financing Sources	<u>(1,000.00)</u>	<u>(1,000.00)</u>	<u>119.00</u>	<u>1,119.00</u>
Net Change in Fund Balances	(309,775.00)	(309,775.00)	(95,811.23)	213,963.77
Beginning Fund Balance	1,544,726.47	1,544,726.47	1,544,726.47	
ENDING FUND BALANCE	<u>\$ 1,234,951.47</u>	<u>\$ 1,234,951.47</u>	<u>\$ 1,448,915.24</u>	<u>\$ 213,963.77</u>

**REQUIRED SUPPLEMENTARY INFORMATION
WILLOW LAKE SCHOOL DISTRICT NO. 12-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 475,000.00	\$ 475,000.00	\$ 468,142.12	\$ (6,857.88)
Prior Years' Ad Valorem Taxes	500.00	775.00	772.91	(2.09)
Penalties and Interest on Taxes	650.00	980.00	977.78	(2.22)
Contributions and Donations		225.00	223.60	(1.40)
Earnings on Investments/ Deposits	3,200.00	3,645.00	3,644.30	(0.70)
Revenue from Federal Sources:				
Other Federal Revenue	2,000.00	2,000.00		(2,000.00)
Total Revenue	<u>481,350.00</u>	<u>482,625.00</u>	<u>473,760.71</u>	<u>(8,864.29)</u>
Expenditures:				
Instruction				
Regular programs:				
Elementary	63,100.00	63,100.00	50,809.25	12,290.75
High School	100,000.00	100,000.00	92,311.43	7,688.57
Special Programs:				
Educationally Deprived	1,000.00	1,000.00		1,000.00
Support Services-Instructional Staff:				
Educational Media	2,500.00	2,500.00		2,500.00
Board of Education	5,500.00	5,500.00	5,000.00	500.00
Support Services - Business:				
Fiscal Services	5,900.00	5,900.00	3,700.00	2,200.00
Facilities Acquisition and Construction	54,500.00	290,325.00	288,304.72	2,020.28
Operation and Maintenance of Plant	3,300.00	3,300.00		3,300.00
Pupil Transportation	30,000.00	30,000.00	14,500.00	15,500.00
Food Services	5,000.00	5,000.00		5,000.00
Debt Services	23,450.00	23,450.00	23,427.18	22.82
Cocurricular Activities:				
Male Activities	23,350.00	23,350.00	17,459.47	5,890.53
Female Activities	13,750.00	13,750.00	7,829.00	5,921.00
Total Expenditures	<u>331,350.00</u>	<u>567,175.00</u>	<u>503,341.05</u>	<u>63,833.95</u>
Excess of Revenue Over (Under)				
Expenditures	<u>150,000.00</u>	<u>(84,550.00)</u>	<u>(29,580.34)</u>	<u>54,969.66</u>
Other Financing Sources:				
Surplus Items		<u>2,100.00</u>	<u>2,100.00</u>	
Net Change in Fund Balances	150,000.00	(84,550.00)	(27,480.34)	57,069.66
Beginning Fund Balance	<u>649,771.95</u>	<u>649,771.95</u>	<u>649,771.95</u>	
ENDING FUND BALANCE	<u>\$ 799,771.95</u>	<u>\$ 565,221.95</u>	<u>\$ 622,291.61</u>	<u>\$ 57,069.66</u>

REQUIRED SUPPLEMENTARY INFORMATION
WILLOW LAKE SCHOOL DISTRICT NO. 12-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 173,912.00	\$ 173,912.00	\$ 248,425.02	\$ 74,513.02
Prior Years' Ad Valorem Taxes	500.00	500.00	480.80	(19.20)
Penalties and Interest on Taxes	500.00	500.00	596.41	96.41
Earnings on Investments/ Deposits	100.00	100.00	398.76	298.76
Other Revenue from Local Sources:				
Charges for Services	<u>3,000.00</u>	<u>3,000.00</u>	<u>751.39</u>	<u>(2,248.61)</u>
Total Revenue	<u>178,012.00</u>	<u>178,012.00</u>	<u>250,652.38</u>	<u>72,640.38</u>
Expenditures:				
Special Programs:				
Programs for Special Education	145,482.00	145,482.00	121,899.52	23,582.48
Support Services:				
Pupils:				
Guidance	300.00	300.00	173.40	126.60
Psychological	3,500.00	3,500.00	2,780.64	719.36
Speech Pathology	6,500.00	6,500.00	5,344.08	1,155.92
Student Therapy Services	5,500.00	5,500.00	4,216.92	1,283.08
Support Services - Instructional Staff:				
Improvement of Instruction	600.00	600.00		600.00
Support Services - General Administration:				
Board of Education	1,150.00	1,150.00	748.62	401.38
Support Services - Special Education				
Administrative Costs	9,130.00	9,130.00	100.00	9,030.00
Transportation Costs	4,850.00	4,850.00		4,850.00
Other Special Education Costs	<u>1,000.00</u>	<u>1,000.00</u>		<u>1,000.00</u>
Total Expenditures	<u>178,012.00</u>	<u>178,012.00</u>	<u>135,263.18</u>	<u>42,748.82</u>
Net Change in Fund Balances	0.00	0.00	115,389.20	115,389.20
Beginning Fund Balance	<u>210,521.51</u>	<u>210,521.51</u>	<u>210,521.51</u>	
ENDING FUND BALANCE	<u>\$ 210,521.51</u>	<u>\$ 210,521.51</u>	<u>\$ 325,910.71</u>	<u>\$ 115,389.20</u>

**REQUIRED SUPPLEMENTARY INFORMATION
WILLOW LAKE SCHOOL DISTRICT NO. 12-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
PENSION FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	(Budgetary Basis)	Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 62,384.00	\$ 62,444.00	\$ 62,441.32	\$ (2.68)
Prior Years' Ad Valorem Taxes	106.00	106.00	114.86	8.86
Penalties and Interest on Taxes	150.00	150.00	134.76	(15.24)
Earnings on Investments/ Deposits	25.00	25.00	31.96	6.96
Total Revenue	<u>62,665.00</u>	<u>62,725.00</u>	<u>62,722.90</u>	<u>(2.10)</u>
Expenditures:				
Instruction:				
Elementary	26,587.00	26,587.00	26,483.67	103.33
Middle/Junior High	10,005.00	10,005.00	10,219.53	(214.53)
High School	14,579.00	14,579.00	14,901.56	(322.56)
Other Regular Programs	300.00	300.00	299.87	0.13
Guidance	795.00	795.00	795.00	
Support Services - Instructional Staff:				
Educational Media	1,590.00	1,590.00	1,590.00	
Support Services - General Administration:				
Executive Administration	3,750.00	3,750.00	3,750.00	
Support Services - School Administration:				
Office of the Principal	1,500.00	1,560.00	1,500.00	60.00
Support Services - Business:				
Fiscal Services	2,400.00	2,400.00	2,400.00	
Early Retirement	1,159.00	1,159.00	783.27	375.73
Total Expenditures	<u>62,665.00</u>	<u>62,725.00</u>	<u>62,722.90</u>	<u>2.10</u>
Net Change in Fund Balances	0.00	0.00	0.00	(0.00)
Beginning Fund Balance	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	
ENDING FUND BALANCE	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ (0.00)</u>

**REQUIRED SUPPLEMENTARY INFORMATION
WILLOW LAKE SCHOOL DISTRICT NO. 12-3
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
JUNE 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AL) - Unit Credit (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2009	\$ 0.00	\$ 84,939	\$ 84,939	0.0%	N/A**	N/A**
6/30/2012	0.00	58,992	58,992	0.0%	945,525	6.2%
6/30/2015	0.00	58,181	58,181	0.0%	1,024,753	5.7%

**Information not available

Schedule of Required Supplementary Information
WILLOW LAKE SCHOOL DISTRICT NO. 12-3
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY (ASSET)
South Dakota Retirement System

	2015
District's proportion of the net pension liability (asset)	0.0572139%
District's proportionate share of net pension liability (asset)	\$ (412,203)
District's covered-employee payroll	\$ 1,000,510
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.3%

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

Schedule of Required Supplementary Information
WILLOW LAKE SCHOOL DISTRICT NO. 12-3
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS
South Dakota Retirement System

	<u>2014</u>	<u>2015</u>
Contractually required contribution	<u>\$ 60,031</u>	<u>\$ 67,183</u>
Contributions in relation to the contractually required contribution	<u>\$ 60,031</u>	<u>\$ 67,183</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>
District's covered-employee payroll	\$1,000,510	\$1,119,721
Contributions as a percentage of covered-employee payroll	6.00%	6.00%

WILLOW LAKE SCHOOL DISTRICT NO. 12-3
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget

NOTE 1 – BUDGET AND BUDGETARY ACCOUNTING

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

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

NOTE 2 – GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

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

QUAM & BERGLIN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
110 WEST MAIN – P.O. BOX 426
ELK POINT, SOUTH DAKOTA 57025

(605) 356-3374

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
Willow Lake School District No. 12-3
Clark 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 Willow Lake School District No. 12-3, Clark County, South Dakota, as of June 30, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Willow Lake School District's basic financial statements and have issued our report thereon dated February 22, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Willow Lake School District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Current Audit Findings as item 2015-001 to be a significant deficiency.

Compliance and Other Matters

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

School District's Response to Findings

Willow Lake School District's response to the finding identified in our audit are 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 Willow Lake School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Quam & Berglin, P.C.

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

February 22, 2016

**WILLOW LAKE SCHOOL DISTRICT NO. 12-3
SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

PRIOR AUDIT FINDINGS:

Prior Finding Number 2014-001:

A significant deficiency was reported for a lack of segregation of duties for revenues, expenditures, and payroll. This comment results from the size of the district, which precludes staffing at a level sufficient to provide an ideal environment for internal control. This finding has not been corrected and is restated as a significant deficiency under current audit finding number 2015-001.

CURRENT AUDIT FINDING:

Internal Control-Related Findings - Significant Deficiency:

Audit Finding Number 2015-001:

There is a significant deficiency resulting from a lack of segregation of duties for revenues.

Criteria:

In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping of the tasks related to revenues. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management assertions.

Condition, Cause and Effect:

The size of the accounting staff employed by the entity precludes an adequate segregation of duties.

Recommendation:

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

Corrective Action Plan:

Melissa Burke, Business Manager for Willow Lake School District No. 12-3, is the contact person responsible for the corrective action plan for this comment. The Board of Directors is aware of this problem, which is a result of the size of the entity and precludes staffing at a level sufficient to provide an ideal environment for internal controls. The Board of Directors has prepared a response to this finding, shown on page 58.

Willow Lake School District No. 12-3

Scott Klaudt, Superintendent/Elementary Principal/Athletic Director
Hector Serna, Secondary Principal/Curriculum and Career Guidance Coordinator
Melissa Burke, Business Manager
Dawn Spieker, Administrative Assistant
P.O. Box 170, Willow Lake SD 57278-0170
Telephone: 605-625-5945 Fax: 605-625-3103

CORRECTIVE PLAN OF ACTION FOR THE YEAR ENDED JUNE 30, 2015

Willow Lake School District No. 12-3 has considered the lack of segregation of duties for revenues, expenditures and payroll. At this time, it is not cost effective for Willow Lake School District to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by Willow Lake School District to decrease the likelihood that financial data is adversely affected.

The Willow Lake School District's Board will continue to monitor the necessity to have segregation of duties for revenues, expenditures and payroll and implement such segregation as budget dollars and board authority allow.



Business Manager



Superintendent