

**BALTIC SCHOOL DISTRICT NO. 49-1**

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

**JUNE 30, 2015**

**BALTIC SCHOOL DISTRICT NO. 49-1  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2015**

School Board

Steve Schmidt

Ronald Krogstad

Paul Liester

Darin Larson

Scott Brende

Business Manager

Marsha Polzin

Superintendent

Robert Sittig

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# QUAM & BERGLIN, P.C.

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## INDEPENDENT AUDITOR'S REPORT

School Board  
Baltic School District No. 49-1  
Minnehaha County, South Dakota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Baltic School District No. 49-1, Minnehaha County, South Dakota (School District), as of June 30, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

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

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

### ***Auditor's Responsibility***

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Baltic School District No. 49-1 as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Adoption of New Accounting Standard*

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of Funding Progress, the Schedule of the Proportionate Share of the Net Pension Asset, the Schedule of the School District Contributions, and the Budgetary Comparison Schedules 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 issued our report dated March 17, 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 and Berglin, P.C.  
Certified Public Accountants  
March 17, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Baltic School District 49-1's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2015. Please read it in conjunction with the School's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- During the year, the School's revenues generated from taxes and other revenues of the governmental and business-type programs were \$352,238 more than the \$4,132,279 governmental and business-type program expenses.
- The total cost of the School's programs decreased by 1.66% which was primarily due to decrease in capital outlay expenditures and nursing staff.
- The general fund reported a \$32,095 current year decrease.

### 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 proprietary funds operated by the school are the Food Service Operation, Preschool and Driver's Education.
  - 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-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 Baltic School's Government-wide and Fund Financial Statements				
	Government-wide Statements	Governmental Funds	Fund Statements Proprietary Funds	Fiduciary Funds
Scope	Entire School government (except fiduciary funds and the School's component units)	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 are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional nonfinancial factors such as changes in the School's property tax base and changes in the state school aid funding formula from the State of South Dakota.

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

- **Governmental Activities** - This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, 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 school also charges a fee to parents to provide preschool and driver's education to students. The proprietary funds operated by the school are the Food Service Operation, Preschool and Driver's Education.

## **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 proprietary funds operated by the school are the Food Service Operation, Preschool and Driver's Education.
- 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:

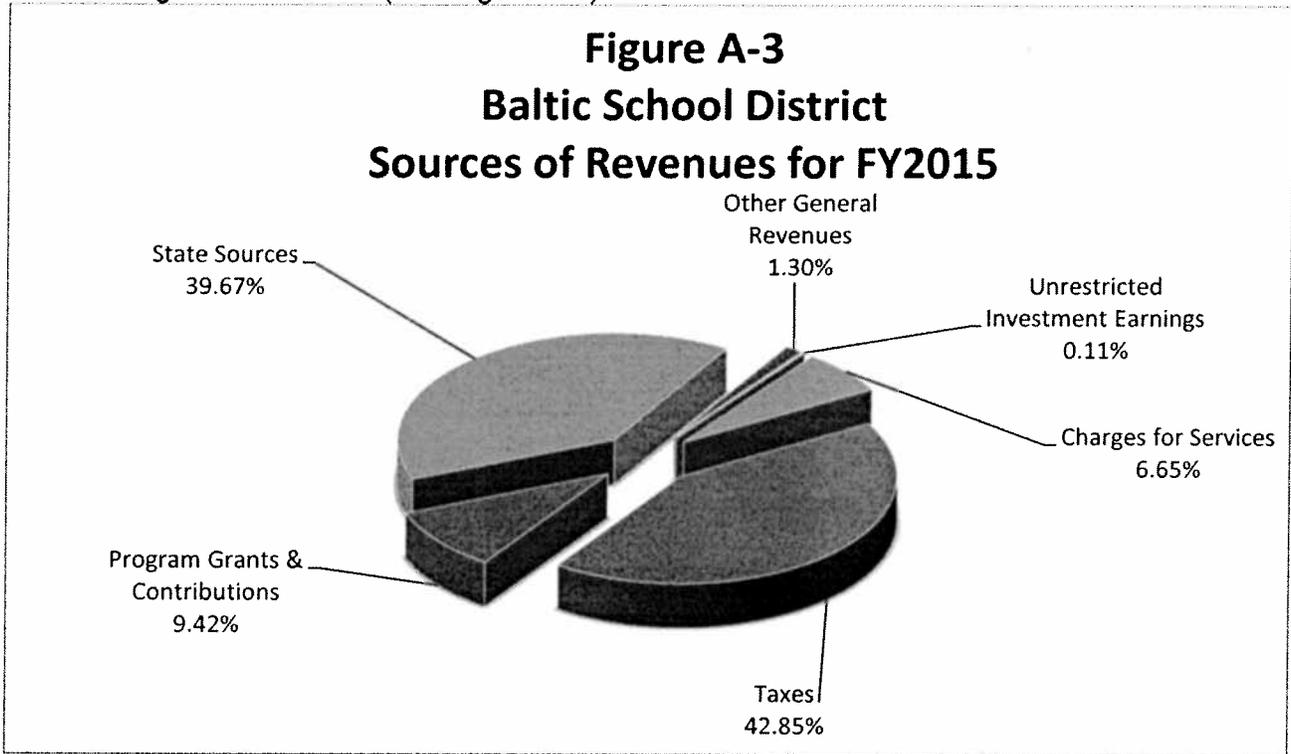
TABLE A-1  
BALTIC SCHOOL DISTRICT  
STATEMENT OF NET POSITION

	<u>Governmental Activities</u>		<u>Primary Government Business-Type Activities</u>		<u>Total</u>	
	<u>FY2014</u>	<u>FY2015</u>	<u>FY2014</u>	<u>FY2015</u>	<u>FY2014</u>	<u>FY2015</u>
	Current and Other Assets	\$2,733,277.76	\$3,531,522.18	\$104,650.86	\$ 88,955.44	\$2,837,928.62
Capital Assets	7,980,348.75	7,821,738.46	274.62		7,980,623.37	7,821,738.46
<b>Total Assets</b>	<u>10,713,626.51</u>	<u>11,353,260.64</u>	<u>104,925.48</u>	<u>88,955.44</u>	<u>10,818,551.99</u>	<u>11,442,216.08</u>
Pension Related Deferred Outflows		745,957.18				745,957.18
Long-Term Debt Outstanding	5,326,699.53	4,887,544.32			5,326,699.53	4,887,544.32
Other Liabilities	368,179.50	391,774.90	24,404.87	13,217.48	392,584.37	404,992.38
<b>Total Liabilities</b>	<u>5,694,879.03</u>	<u>5,279,319.22</u>	<u>24,404.87</u>	<u>13,217.48</u>	<u>5,719,283.90</u>	<u>5,292,536.70</u>
Taxes Levied for a Future Period	825,649.96	849,605.66			825,649.96	849,605.66
Pension Related Deferred Inflows		970,302.28				970,302.28
<b>Total Deferred Inflows of Resou</b>	<u>825,649.96</u>	<u>1,819,907.94</u>			<u>825,649.96</u>	<u>1,819,907.94</u>
<b>Net Position:</b>						
Net Investment in Capital Assets	2,925,348.75	3,161,738.46	274.62		2,925,623.37	3,161,738.46
Restricted	398,017.41	976,930.53			398,017.41	976,930.53
Unrestricted	869,731.36	861,321.67	80,245.99	75,737.96	949,977.35	937,059.63
<b>Total Net Position</b>	<u>4,193,097.52</u>	<u>4,999,990.66</u>	<u>80,520.61</u>	<u>75,737.96</u>	<u>4,273,618.13</u>	<u>5,075,728.62</u>
Increase (Decrease) in Net Position	124,354.07	357,020.33	(727.52)	(4,782.65)	123,626.55	352,237.68
Beginning Net Position	4,068,743.45	4,642,970.33	81,248.13	80,520.61	4,149,991.58	4,723,490.94
Ending Net Position	<u>\$4,193,097.52</u>	<u>\$4,999,990.66</u>	<u>\$ 80,520.61</u>	<u>\$ 75,737.96</u>	<u>\$4,273,618.13</u>	<u>\$5,075,728.62</u>

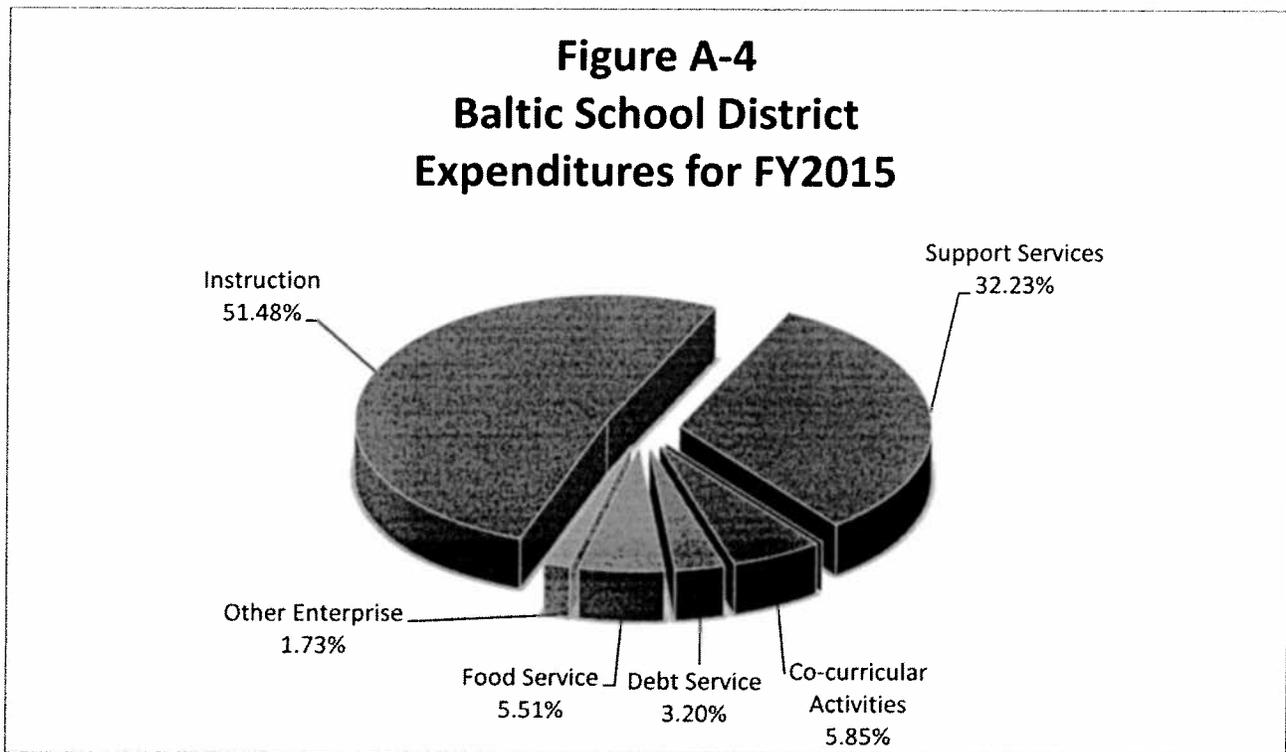
The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the school, consisting of compensated absences payable and bonds 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 \$4,484,156.55 (See Table A-2.) Approximately 43% of the School's revenue comes from property and other taxes, with another 40% coming from state aid. (See Figure A-3).



The total cost of all programs and services was virtually unchanged. The School's expenses cover a range of services, encompassing instruction, support services and food services. (See Figure A4)



## GOVERNMENTAL ACTIVITIES

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

**TABLE A-2**  
**BALTIC SCHOOL DISTRICT**  
**CHANGES IN NET POSITION**

	<u>Total Governmental Activities</u>		<u>Total Business-Type Activities</u>		<u>Total</u>	
	<u>FY2014</u>	<u>FY2015</u>	<u>FY2014</u>	<u>FY2015</u>	<u>FY2014</u>	<u>FY2015</u>
<b>Revenues</b>						
Program Revenues						
Charges for Services	47,019.11	86,752.37	205,214.24	211,493.52	252,233.35	298,245.89
Operating Grants and Contributions	464,789.27	349,231.01	67,224.74	73,371.71	532,014.01	422,602.72
General Revenues						
Taxes	1,813,387.27	1,921,295.70			1,813,387.27	1,921,295.70
Revenue State Sources	1,598,596.73	1,779,190.56			1,598,596.73	1,779,190.56
Other General Revenues	123,199.33	58,201.18			123,199.33	58,201.18
Unrestricted Investment Earnings	4,723.64	4,659.24	337.58	321.26	5,061.22	4,980.50
<b>Total Revenues</b>	<b>4,051,715.35</b>	<b>4,199,330.06</b>	<b>272,776.56</b>	<b>285,186.49</b>	<b>4,324,491.91</b>	<b>4,484,516.55</b>
<b>Expenses</b>						
Instruction	2,303,850.43	2,127,764.09			2,303,850.43	2,127,764.09
Support Services	1,262,313.91	1,331,841.40			1,262,313.91	1,331,841.40
Debt Services	137,379.55	132,044.10			137,379.55	132,044.10
Cocurricular Activities	216,027.02	241,660.61			216,027.02	241,660.61
Food Service			213,985.27	227,682.71	213,985.27	227,682.71
Other Enterprise			67,309.18	71,285.96	67,309.18	71,285.96
<b>Total Expenses</b>	<b>3,919,570.91</b>	<b>3,833,310.20</b>	<b>281,294.45</b>	<b>298,968.67</b>	<b>4,200,865.36</b>	<b>4,132,278.87</b>
<b>Transfers</b>	<b>(7,790.37)</b>	<b>(8,999.53)</b>	<b>7,790.37</b>	<b>8,999.53</b>		
<b>Increase (Decrease) in Net Position</b>	<b>124,354.07</b>	<b>357,020.33</b>	<b>(727.52)</b>	<b>(4,782.65)</b>	<b>123,626.55</b>	<b>352,237.68</b>
Prior Period Adjustment		449,872.81				449,872.81
<b>NET POSITION - ENDING</b>	<b>4,193,097.52</b>	<b>4,999,990.66</b>	<b>80,520.61</b>	<b>75,737.96</b>	<b>4,273,618.13</b>	<b>5,075,728.62</b>

## GOVERNMENTAL ACTIVITIES

Revenues for the governmental activities had an increase mainly due to the increase in revenue from state sources.

Expenses decreased from the previous year mainly due to the additional curriculum that was purchased in FY2014.

## BUSINESS-TYPE ACTIVITIES

Revenues of the School's business-type activities increased by approximately 5% to \$285,186 and expenses increase by 7% to \$298,969.

## FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The fund balances of General Fund decreased mainly due to salary increases. The fund balance in Capital Outlay Fund increased. The fund balance in the Special Ed fund decreased. The fund balance in the Pension Fund decreased due to the increase in retirement expenses. The fund balance in Bond Redemption Fund increased due to increased taxes.

## BUDGETARY HIGHLIGHTS

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

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

There was one significant budget variance for the year in General Fund due to the change in accounting for Utility Tax.

## CAPITAL ASSET ADMINISTRATION

By the end of 2015, the School had invested \$11,511,002.54 in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-3.) This amount represents a net increase (including additions and deductions) of \$40,117.36 over last year resulting from the addition of equipment and library books.

**Table A-3**  
**BALTIC SCHOOL DISTRICT 49-1 - Capital Assets**

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>FY2014</u>	<u>FY2015</u>	<u>Increase/ (Decrease)</u>	<u>FY2014</u>	<u>FY2015</u>	<u>Increase/ (Decrease)</u>
Land	\$ 158,998.03	\$ 158,998.03	\$	\$	\$	\$
Buildings	9,322,142.75	9,331,521.32	9,378.57			
Improvements other than Building	1,309,576.07	1,309,576.07				
Machinery and Equipment	496,292.77	528,260.76	31,967.99	14,500.01	14,500.01	
Library Books	183,875.56	182,646.36	(1,229.20)			
Total Capital Assets	<u>\$ 11,470,885.18</u>	<u>\$ 11,511,002.54</u>	<u>\$ 40,117.36</u>	<u>\$ 14,500.01</u>	<u>\$ 14,500.01</u>	<u>\$</u>
Accumulated Depreciation	<u>(3,490,536.43)</u>	<u>(3,689,264.08)</u>	<u>(198,727.65)</u>	<u>(14,225.43)</u>	<u>(14,500.01)</u>	<u>(274.58)</u>
Net Capital Assets	<u>\$ 7,980,348.75</u>	<u>\$ 7,821,738.46</u>	<u>\$ (158,610.29)</u>	<u>\$ 274.58</u>	<u>\$ 0.00</u>	<u>\$ (274.58)</u>

## LONG-TERM DEBT

At year-end the School had long-term obligations of \$14,400 sick leave, \$3,840,000 in general obligations bonds, \$820,000 in capital outlay certificates, and \$101,469 in other post-employment benefits.

**Table A-4**  
**BALTIC SCHOOL DISTRICT 49-1**  
**Outstanding Debt and Obligations**

	<u>Governmental Activities</u>		<u>Total</u>
	<u>FY2014</u>	<u>FY2015</u>	<u>% Change</u>
General Obligation Bonds	\$ 4,125,000.00	\$ 3,840,000.00	-6.91%
Capital Outlay Certificates	930,000.00	820,000.00	-11.83%
Capital (Acquisition) Leases	167,512.32	111,674.88	-33.33%
Compensated Absences	15,346.21	14,400.44	-6.16%
Other Post-Employment Benefits	88,841.00	101,469.00	14.21%
<b>Total Long-Term Liabilities</b>	<b><u>\$ 5,326,699.53</u></b>	<b><u>\$ 4,887,544.32</u></b>	<b>-8.24%</b>
Net Increase (Decrease)			-8.24%

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

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

The School's current economic position has shown a decrease compared to the prior year. The School did not experience any notable change to total property valuation from the prior year. The maximum tax levies are set by the State of South Dakota and these levies did not experience any notable change from the previous year. The district's tax revenue was up approximately 5.82% from the prior year.

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 \$4,876.76 per pupil. The district's state aid revenue was up approximately 11.29% from the prior year.

**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 Baltic School's Business Office, 1 Bulldog Avenue, Baltic, SD 57003.

**BALTIC SCHOOL DISTRICT NO. 49-1**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 1,667,369.97	\$ 82,477.46	\$ 1,749,847.43
Accounts Receivable		2,800.10	2,800.10
Taxes Receivable	879,503.49		879,503.49
Inventories	28,149.17	3,677.88	31,827.05
Due from Other Governments	118,709.36		118,709.36
Net Pension Asset	837,790.19		837,790.19
Capital Assets:			
Land	158,998.03		158,998.03
Other Capital Assets, Net of Depreciation	7,662,740.43	0.00	7,662,740.43
<b>TOTAL ASSETS</b>	<b>11,353,260.64</b>	<b>88,955.44</b>	<b>11,442,216.08</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	745,957.18		745,957.18
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>745,957.18</b>		<b>745,957.18</b>
<b>LIABILITIES :</b>			
Accounts Payable	54,632.70	155.00	54,787.70
Accrued Wages & Benefits	337,142.20	9,108.18	346,250.38
Unearned Revenue		3,954.30	3,954.30
Noncurrent Liabilities:			
Due in Less than One Year	481,597.62		481,597.62
Due in More than One Year	4,405,946.70		4,405,946.70
<b>TOTAL LIABILITIES</b>	<b>5,279,319.22</b>	<b>13,217.48</b>	<b>5,292,536.70</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Taxes levied for Future Period	849,605.66		849,605.66
Pension Related Deferred Inflows	970,302.28		970,302.28
<b>Total Deferred Inflows of Resources</b>	<b>1,819,907.94</b>		<b>1,819,907.94</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	3,161,738.46	0.00	3,161,738.46
Restricted for:			
Capital Outlay	44,559.60		44,559.60
Special Education	11,264.84		11,264.84
Pension	4,463.04		4,463.04
Debt Service	303,197.96		303,197.96
SDRS Pension Purposes	613,445.09		613,445.09
Unrestricted	861,321.67	75,737.96	937,059.63
<b>TOTAL NET POSITION</b>	<b>\$ 4,999,990.66</b>	<b>\$ 75,737.96</b>	<b>\$ 5,075,728.62</b>

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

**BALTIC SCHOOL DISTRICT NO. 49-1  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instruction	\$ 2,127,764.09	\$	\$ 349,231.01	\$ (1,778,533.08)	\$	\$ (1,778,533.08)
Support Services	1,331,841.40	59,096.55		(1,272,744.85)		(1,272,744.85)
*Interest on Long-Term Debt	132,044.10			(132,044.10)		(132,044.10)
Cocurricular Activities	241,660.61	27,655.82		(214,004.79)		(214,004.79)
Total Governmental Activities	<u>3,833,310.20</u>	<u>86,752.37</u>	<u>349,231.01</u>	<u>(3,397,326.82)</u>		<u>(3,397,326.82)</u>
Business-type Activities:						
Food Service	227,682.71	148,432.76	73,371.71		(5,878.24)	(5,878.24)
Preschool Program	63,047.67	52,355.76			(10,691.91)	(10,691.91)
Driver's Education	8,238.29	6,585.00			(1,653.29)	(1,653.29)
Fitness		4,120.00			4,120.00	4,120.00
Total Business-Type Activities	<u>298,968.67</u>	<u>211,493.52</u>	<u>73,371.71</u>		<u>(14,103.44)</u>	<u>(14,103.44)</u>
Total Primary Government	<u>\$ 4,132,278.87</u>	<u>\$ 298,245.89</u>	<u>\$ 422,602.72</u>	<u>(3,397,326.82)</u>	<u>(14,103.44)</u>	<u>(3,411,430.26)</u>
<b>General Revenues:</b>						
Taxes:						
				1,826,073.83		1,826,073.83
				95,221.87		95,221.87
Revenue from State Sources:						
				1,779,190.56		1,779,190.56
				4,659.24	321.26	4,980.50
				58,201.18		58,201.18
				(8,999.53)	8,999.53	
				<u>3,754,347.15</u>	<u>9,320.79</u>	<u>3,763,667.94</u>
				357,020.33	(4,782.65)	352,237.68
				<u>4,193,097.52</u>	<u>80,520.61</u>	<u>4,273,618.13</u>
				<u>449,872.81</u>		<u>449,872.81</u>
				<u>4,642,970.33</u>	<u>80,520.61</u>	<u>4,723,490.94</u>
				<u>\$ 4,999,990.66</u>	<u>\$ 75,737.96</u>	<u>\$ 5,075,728.62</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.

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

**BALTIC SCHOOL DISTRICT NO. 49-1  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
<b>ASSETS:</b>						
Cash and Cash Equivalents	\$ 1,138,658.28	\$ 156,450.81	\$ 70,475.11	\$ 3,866.07	\$ 297,919.70	\$ 1,667,369.97
Taxes Receivable--Current	331,917.21	197,710.53	114,748.24	23,260.16	181,969.52	849,605.66
Taxes Receivable--Delinquent	15,455.62	5,246.79	3,320.19	596.97	5,278.26	29,897.83
Due From Government	118,709.36					118,709.36
Inventory	28,149.17					28,149.17
<b>TOTAL ASSETS</b>	<u>\$ 1,632,889.64</u>	<u>\$ 359,408.13</u>	<u>\$ 188,543.54</u>	<u>\$ 27,723.20</u>	<u>\$ 485,167.48</u>	<u>\$ 2,693,731.99</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>						
Liabilities:						
Accounts Payable	\$ 30,819.52	\$ 5,463.12	\$ 18,350.06	\$	\$	\$ 54,632.70
Contracts Payable	226,645.92		34,031.27			260,677.19
Payroll Deductions and Withholdings and Employer Matching Payable	66,315.88		10,149.13			76,465.01
<b>Total Liabilities</b>	<u>323,781.32</u>	<u>5,463.12</u>	<u>62,530.46</u>			<u>391,774.90</u>
Deferred Inflows of Resources:						
Taxes Levied for a Future Period	331,917.21	197,710.53	114,748.24	23,260.16	181,969.52	849,605.66
Unavailable Revenue-Property Taxes	15,455.62	5,246.79	3,320.19	596.97	5,278.26	29,897.83
<b>Total Deferred Inflows of Resources</b>	<u>347,372.83</u>	<u>202,957.32</u>	<u>118,068.43</u>	<u>23,857.13</u>	<u>187,247.78</u>	<u>879,503.49</u>
Fund Balances:						
Nonspendable	28,149.17					28,149.17
Restricted		150,987.69	7,944.65	3,866.07	297,919.70	460,718.11
Assigned	228,602.35					228,602.35
Unassigned	704,983.97					704,983.97
<b>Total Fund Balances</b>	<u>961,735.49</u>	<u>150,987.69</u>	<u>7,944.65</u>	<u>3,866.07</u>	<u>297,919.70</u>	<u>1,422,453.60</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 1,632,889.64</u>	<u>\$ 359,408.13</u>	<u>\$ 188,543.54</u>	<u>\$ 27,723.20</u>	<u>\$ 485,167.48</u>	<u>\$ 2,693,731.99</u>

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

**BALTIC SCHOOL DISTRICT NO.49-1  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

Total Fund Balances - Governmental Funds \$ 1,422,453.60

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

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

The cost of the assets	\$ 11,511,002.54	
Less the accumulated depreciation:	<u>(3,689,264.08)</u>	7,821,738.46

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:

General Obligation Bonds	(3,840,000.00)	
Capital Outlay Certificates	(820,000.00)	
Capital (Financing) Lease	(111,674.88)	
Accrued Leave Payable	(14,400.44)	
Other Post Employment Benefits Payable	<u>(101,469.00)</u>	(4,887,544.32)

Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	837,790.19
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Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.	745,957.18
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Pension related deferred inflows are components of pension liability and therefore are not reported in the funds	(970,302.28)
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Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>29,897.83</u>
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Net Position- Governmental Funds	<u>\$ 4,999,990.66</u>
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The notes to the financial statements are an integral part of this statement

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**BALTIC SCHOOL DISTRICT NO. 49-1**  
**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>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
Revenues:						
Revenue from Local Sources:						
Taxes:						
Ad Valorem Taxes	\$ 689,495.45	\$ 422,577.52	\$ 250,781.93	\$ 49,715.06	\$ 397,291.82	\$ 1,809,861.78
Prior Years' Ad Valorem Taxes	1,387.84	908.56	543.68	106.89	879.59	3,826.56
Utility Taxes	95,221.87					95,221.87
Penalties and Interest on Taxes	669.50	454.16	274.22	53.41	436.45	1,887.74
Earnings on Investments and Deposits	3,364.76	228.56	208.52	156.86	700.54	4,659.24
Cocurricular Activities:						
Admissions	20,392.08					20,392.08
Rentals	1,015.00					1,015.00
Other Pupil Activity Income	6,248.74					6,248.74
Other Revenue from Local Sources:						
Rentals	100.00					100.00
Contributions & Donations	0.00	10,850.00				10,850.00
Services Provided Other LEAs	23,708.61					23,708.61
Charges for Services	6,476.25		3,030.51			9,506.76
Other	16,863.26	12,462.49				29,325.75
Revenue from Intermediate Sources:						
County Sources:						
County Apportionment	17,925.43					17,925.43
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid	1,779,190.56					1,779,190.56
Restricted Grants-in-Aid	8,125.00		137,157.00			145,282.00
Other State Revenue	1,600.00					1,600.00
Revenue from Federal Sources:						
Grants-in-Aid:						
Restricted Grants-in-Aid Received from Federal Government Through State	68,237.00	20,801.25	80,310.00			169,348.25
Other Federal Revenue	23,494.00					23,494.00
Total Revenue	<u>2,763,515.35</u>	<u>468,282.54</u>	<u>472,305.86</u>	<u>50,032.22</u>	<u>399,308.40</u>	<u>4,153,444.37</u>

## Expenditures:

## Instruction:

## Regular Programs:

Elementary	668,985.26	43,339.80	30,179.99	742,505.05
Middle / Junior High	301,719.24	13,484.28	14,206.84	329,410.36
High School	461,161.77	62,754.95	19,257.07	543,173.79

## Special Programs:

Programs for Special Education			398,529.40	398,529.40
Educationally Deprived	49,208.05			49,208.05
Other Special Programs	70,123.38			70,123.38

## Support Services:

## Pupils:

Guidance	93,096.25			93,096.25
Health	6,022.15			6,022.15
Psychology			24,632.10	24,632.10
Speech Pathology			46,533.50	46,533.50
Student Therapy Services			48,954.00	48,954.00

## Support Services - Instructional Staff:

Improvement of Instruction	26,580.83			26,580.83
Educational Media	141,274.81			141,274.81

## Support Services - General Administration:

Board of Education	30,921.87			30,921.87
Executive Administration	114,126.47			114,126.47

## Support Services - School Administration:

Office of the Principal	181,049.30			181,049.30
Other	171.07			171.07

## Support Services - Business:

Fiscal Services	76,748.17	10,549.83		87,298.00
Operation and Maintenance of Plant	291,588.35	5,350.10		296,938.45
Pupil Transportation	102,678.64			102,678.64

## Support Services- Central:

Staff	259.50			259.50
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## Support Services - Special Education:

Administrative Costs			13,718.72	13,718.72
Speech/Language Costs			9,431.62	9,431.62
Transportation Costs			8,563.42	8,563.42

**BALTIC SCHOOL DISTRICT NO. 49-1**  
**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>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
Debt Services		192,559.04			390,322.50	582,881.54
Cocurricular Activities:						
Male Activities	37,069.46					37,069.46
Female Activities	28,773.20					28,773.20
Transportation	8,842.78					8,842.78
Combined Activities	96,210.32	6,253.99				102,464.31
Capital Outlay		116,807.44				116,807.44
Total Expenditures	<u>2,786,610.87</u>	<u>451,099.43</u>	<u>550,362.76</u>	<u>63,643.90</u>	<u>390,322.50</u>	<u>4,242,039.46</u>
Excess of Revenue Over (Under) Expenditures	(23,095.52)	17,183.11	(78,056.90)	(13,611.68)	8,985.90	(88,595.09)
17 Other Financing Sources (Uses):						
Transfers (Out)	<u>(8,999.53)</u>					<u>(8,999.53)</u>
Total Other Financing Sources (Uses)	<u>(8,999.53)</u>					<u>(8,999.53)</u>
Net Change in Fund Balances	(32,095.05)	17,183.11	(78,056.90)	(13,611.68)	8,985.90	(97,594.62)
Fund Balance - Beginning	<u>993,830.54</u>	<u>133,804.58</u>	<u>86,001.55</u>	<u>17,477.75</u>	<u>288,933.80</u>	<u>1,520,048.22</u>
FUND BALANCE - ENDING	<u>\$ 961,735.49</u>	<u>\$ 150,987.69</u>	<u>\$ 7,944.65</u>	<u>\$ 3,866.07</u>	<u>\$ 297,919.70</u>	<u>\$ 1,422,453.60</u>

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

**BALTIC SCHOOL DISTRICT NO. 49-1  
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 \$ (97,594.62)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays expense in the period.

Capital Outlays	\$ 116,807.44	
Depreciation Expense	<u>(275,417.73)</u>	(158,610.29)

Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets.

General Obligation Bonds	\$ 285,000.00	
Capital Outlay Certificates	110,000.00	
Financing (Capital Acquisition) Lease	<u>55,837.44</u>	450,837.44

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.

10,497.75

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

163,572.28

Governmental Funds do not reflect the changes in accrued leave or other post-employment benefits, but the statement of activities reflects these changes through expenses.

(11,682.23)

Change in Net Position of Governmental Activities \$ 357,020.33

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

**BALTIC SCHOOL DISTRICT NO. 49-1**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2015**

	Enterprise Funds		
	Food Service Fund	Other Enterprise	Total
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 64,178.96	\$ 18,298.50	\$ 82,477.46
Accounts Receivable	2,800.10		2,800.10
Inventory of Donated Food	3,677.88		3,677.88
Total Current Assets	70,656.94	18,298.50	88,955.44
Capital Assets:			
Machinery and Equipment	14,500.01		14,500.01
Less: Accumulated Depreciation	(14,500.01)		(14,500.01)
Total Noncurrent Assets	0.00		0.00
<b>TOTAL ASSETS</b>	<b>70,656.94</b>	<b>18,298.50</b>	<b>88,955.44</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable		155.00	155.00
Contracts Payable		7,005.67	7,005.67
Payroll Deductions and Withholdings and Employer Matching Payable		2,102.51	2,102.51
Unearned Revenue	3,954.30		3,954.30
Total Current Liabilities	3,954.30	9,263.18	13,217.48
<b>NET POSITION:</b>			
Unrestricted Net Position	66,702.64	9,035.32	75,737.96
Total Net Position	<b>\$ 66,702.64</b>	<b>\$ 9,035.32</b>	<b>\$ 75,737.96</b>

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

**BALTIC SCHOOL DISTRICT NO. 49-1**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>Other Enterprise</b>	<b>Total</b>
<b>Operating Revenue:</b>			
Sales:			
To Pupils	\$ 105,165.71	\$	\$105,165.71
To Adults	7,729.25		7,729.25
A la Carte	35,537.80		35,537.80
Other Charges for Goods and Services		63,060.76	63,060.76
Total Operating Revenue	<u>148,432.76</u>	<u>63,060.76</u>	<u>211,493.52</u>
<b>Operating Expenses:</b>			
Salaries	12,287.24	51,443.52	63,730.76
Employee Benefits	2,458.17	17,279.42	19,737.59
Purchased Services	176,320.60	155.00	176,475.60
Supplies	21,843.29	2,408.02	24,251.31
Cost of Sales-Donated Food	14,498.79		14,498.79
Depreciation	274.62		274.62
Total Operating Expenses	<u>227,682.71</u>	<u>71,285.96</u>	<u>298,968.67</u>
Operating Income (Loss)	<u>(79,249.95)</u>	<u>(8,225.20)</u>	<u>(87,475.15)</u>
<b>Nonoperating Revenue (Expense):</b>			
Local Sources:			
Investment Earnings	294.40	26.86	321.26
State Sources:			
Cash Reimbursements	1,197.30		1,197.30
Federal Sources:			
Cash Reimbursements	55,806.84		55,806.84
Donated Food	16,367.57		16,367.57
Total Nonoperating Revenue (Expense)	<u>73,666.11</u>	<u>26.86</u>	<u>73,692.97</u>
Income (Loss) Before Transfers	(5,583.84)	(8,198.34)	(13,782.18)
Transfers In		8,999.53	8,999.53
Change in Net Position	(5,583.84)	801.19	(4,782.65)
Net Position - Beginning	<u>72,286.48</u>	<u>8,234.13</u>	<u>80,520.61</u>
NET POSITION - ENDING	<u>\$ 66,702.64</u>	<u>\$ 9,035.32</u>	<u>\$ 75,737.96</u>

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

**BALTIC SCHOOL DISTRICT NO. 49-1  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Enterprise Funds</u>		
	<u>Food Service Fund</u>	<u>Other Enterprise</u>	<u>Total</u>
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers	\$ 149,845.24	\$ 63,060.76	\$ 212,906.00
Payments to Suppliers	(206,780.03)	(4,788.25)	(211,568.28)
Payments to Employees	(14,745.41)	(70,481.44)	(85,226.85)
Net Cash Provided (Used) by Operating Activities	<u>(71,680.20)</u>	<u>(12,208.93)</u>	<u>(83,889.13)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Operating Subsidies	57,004.14		57,004.14
Transfer In		8,999.53	8,999.53
Net Cash Provided (Used) by Noncapital Financing Activities:	<u>57,004.14</u>	<u>8,999.53</u>	<u>66,003.67</u>
<b>Cash Flows from Investing Activities:</b>			
Investment Earnings	294.40	26.86	321.26
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (14,381.66)</u>	<u>\$ (3,182.54)</u>	<u>\$ (17,564.20)</u>
Cash and Cash Equivalents at Beginning of Year	\$ 78,560.62	\$ 21,481.04	\$ 100,041.66
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>64,178.96</u>	<u>18,298.50</u>	<u>82,477.46</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (14,381.66)</u>	<u>\$ (3,182.54)</u>	<u>\$ (17,564.20)</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	\$ (79,249.95)	\$ (8,225.20)	\$ (87,475.15)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	274.62		274.62
Value of Commodities Used	14,498.79		14,498.79
Change in Assets and Liabilities:			
Accounts Payable	(8,616.14)	(2,225.23)	(10,841.37)
Contracts and Benefits Payable		(1,758.50)	(1,758.50)
Unearned Revenue	1,412.48		1,412.48
Net Cash Provided (Used) by Operating Activities	<u>\$ (71,680.20)</u>	<u>\$ (12,208.93)</u>	<u>\$ (83,889.13)</u>
<b>Noncash Investing, Capital and Financing Activities:</b>			
Value of Commodities Received	\$ 16,367.57		

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



**BALTIC SCHOOL DISTRICT NO. 49-1  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Private-Purpose Trust Funds</b>
<b>ADDITIONS:</b>	
Interest Earned	\$ <u>91.91</u>
Total Additions	<u>91.91</u>
<b>DEDUCTIONS:</b>	
Trust Deductions for Scholarships	<u>2,000.00</u>
Total Deductions	<u>2,000.00</u>
Change in Net Position	(1,908.09)
Net Position - Beginning	<u>29,290.12</u>
<b>NET POSITION - ENDING</b>	<b><u>\$ 27,382.03</u></b>

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

BALTIC SCHOOL DISTRICT NO. 49-1  
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 Baltic School District No. 49-1, 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 component unit, but are discussed in these notes because 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 assets form (assets and deferred outflows of resources minus liabilities and deferred inflows of resources equal net assets). 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 District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods 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 district. This fund is financed by grants and property taxes. This is a major fund.

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

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

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

## 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 of the following criteria is met.

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

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

Other Enterprise Fund—A fund used to record financial transactions related to fees charged for preschool, drivers education and fitness center functions. This fund is financed by user charges and grants. This is a major fund.

## Fiduciary Funds:

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

*Private-Purpose Trust Funds*-- private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, 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: Individual Class Funds, Student Council Funds and various Student Club Activity Funds.

### 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 fund types 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 Baltic School District No. 49-1, the length of that cycle is 60 days. The revenues that were accrued at June 30, 2015 are amounts due from other governments for grants.

Under the modified 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 funds 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. Interfund Eliminations and Reclassifications

*Government-wide Financial Statements:*

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-

type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

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

e. Deposits and Investments

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

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

f. Capital Assets

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

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

*Government-Wide Statements*

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

The total June 30, 2015 balance of capital assets for governmental activities includes approximately 1.76 percent for which the costs were determined by estimates of the original costs. The total June 30, 2015 balance of capital assets for business-type activities are all valued at original cost. These estimated original costs were established by replacement costs estimated at the time fixed asset records were established.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 100.00	NA	NA
Improvements	25,000.00	Straight Line	10-50 Years
Buildings	25,000.00	Straight Line	50 Years
Machinery and Equipment	5,000.00	Straight Line	2-20 Years
Food Service Machinery and Equipment	1,000.00	Straight Line	12 Years

Land is an inexhaustible capital asset and is not depreciated.

### *Fund Financial Statements*

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

#### g. Long-Term Liabilities:

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

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

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

#### h. Program Revenues

In the government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the 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.

i. 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.

j. Cash and Cash Equivalents:

For the purpose of preparing the Statement of Cash Flows, the School District considers all highly liquid investments and deposits with a term to maturity of three months or less when purchased to be cash equivalents.

k. Equity Classifications

*Government-wide Statements:*

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

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

*Fund Financial Statements:*

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

l. Application of Net Position:

It is the School District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

m. Deferred Inflows and Deferred Outflows of Resources:

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

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

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

n. Fund Balance Classification Policies and Procedures:

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

**Baltic School District No. 49-1**  
**Disclosure of Fund Balances Reported on Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	General Fund	Outlay Fund	Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
<i>Fund Balances</i>						
<i>Nonspendable:</i>						
Inventories	\$ 28,149.17	\$	\$	\$	\$	\$ 28,149.17
<i>Restricted for:</i>						
Capital Outlay		150,987.69				150,987.69
Special Education			7,944.65			7,944.65
Pension				3,866.07		3,866.07
Bond Redemption					297,919.70	297,919.70
<i>Assigned to:</i>						
Unemployment	22,334.35					22,334.35
Subsequent Year's Budget	206,268.00					206,268.00
<i>Unassigned</i>	704,983.97					704,983.97
<b>Total Fund Balances</b>	<b>\$ 961,735.49</b>	<b>\$ 150,987.69</b>	<b>\$ 7,944.65</b>	<b>\$ 3,866.07</b>	<b>\$ 297,919.70</b>	<b>\$ 1,422,453.60</b>

o. Pensions:

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

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

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

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.

#### NOTE 4 – INVENTORY

Inventory for Resale is stated 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 propriety 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. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

#### NOTE 5 - PROPERTY TAXES

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

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

NOTE 6 - CHANGES IN CAPITAL ASSETS

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

<i>Primary Government</i>	Balance 07/01/2014	Increases	Decreases	Balance 06/30/15
Governmental Activities:				
Capital Assets, not depreciated:				
Land	\$ 158,998.03	\$	\$	\$ 158,998.03
Total Capital Assets, not depreciated	<u>158,998.03</u>			<u>158,998.03</u>
Capital Assets, depreciated:				
Buildings	9,322,142.75	9,378.57		9,331,521.32
Improvements	1,309,576.07			1,309,576.07
Machinery and Equipment	496,292.77	103,038.99	71,071.00	528,260.76
Library Books	183,875.56	4,389.88	5,619.08	182,646.36
Total	<u>11,311,887.15</u>	<u>116,807.44</u>	<u>76,690.08</u>	<u>11,352,004.51</u>
Less Accumulated Depreciation:				
Buildings	2,657,318.76	184,301.88		2,841,620.64
Improvements	378,950.76	37,674.26		416,625.02
Machinery and Equipment	315,156.34	44,309.27	71,071.00	288,394.61
Library Books	139,110.57	9,132.32	5,619.08	142,623.81
Total Accumulated Depreciation	<u>3,490,536.43</u>	<u>275,417.73</u>	<u>76,690.08</u>	<u>3,689,264.08</u>
Total Capital Assets, being depreciated, net	<u>7,980,348.75</u>	<u>(158,610.29)</u>		<u>7,821,738.46</u>
Governmental activities capital assets, net	<u>\$7,821,350.72</u>	<u>\$(158,610.29)</u>	<u>\$</u>	<u>\$7,662,740.43</u>

\*\*Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	\$ 111,316.17
Support Services	99,590.70
Co-curricular Activities	64,510.86
Total Depreciation expense-governmental activities	<u>\$ 275,417.73</u>

	Balance 07/01/2014	Increases	Decreases	Balance 06/30/15
Business-type activity capital assets, net				
Capital Assets, depreciated:				
Machinery and Equipment	\$ 14,500.01	\$	\$	\$ 14,500.01
Less Accumulated Depreciation:				
Machinery and Equipment	<u>14,225.43</u>	<u>274.58</u>		<u>14,500.01</u>
Business-type activity capital assets, net	<u>\$ 274.58</u>	<u>\$ (274.58)</u>	<u>\$</u>	<u>\$ 0.00</u>

\*\*Depreciation expense was charged to functions as follows:

Business-type Activity	
Food Service	<u>\$ 274.58</u>

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	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation	\$ 4,125,000.00	\$	\$ 285,000.00	\$ 3,840,000.00	\$ 310,000.00
Capital Outlay Certificates	930,000.00		110,000.00	820,000.00	110,000.00
Financing (Capital Acquisition)					
Lease	167,512.32		55,837.44	111,674.88	55,837.44
Accrued Compensated Absences-					
Governmental Funds	15,346.21	5,918.60	6,864.37	14,400.44	5,760.18
Other Post-employment Benefits	88,841.00	24,894.00	12,266.00	101,469.00	
Total Governmental Activities	<u>\$ 5,326,699.53</u>	<u>\$ 30,812.60</u>	<u>\$ 469,967.81</u>	<u>\$ 4,887,544.32</u>	<u>\$ 481,597.62</u>

Compensated absences and other post-employment benefits payable for governmental activities typically have been liquidated from the General and Special Education Funds.

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

Primary Government	
Governmental Activities	
General Obligation Bonds	
Series 2010 Refunding Bonds - Dated November 1, 2010 with variable interest rates from 2.00 to 3.2% depending on time to maturity. Final maturity December 2024. Payment from Bond Redemption Fund.	\$ 3,840,000.00
Capital Outlay Certificates	
Series 2011 Certificates - Dated June 1, 2011 with variable interest rates from .90 to 3.35% depending on time to maturity. Final maturity July 2024. Payment from Capital Outlay Fund	820,000.00
Financing (Capital Acquisition) Lease	
Capital Lease financing for the purchase of computers, due in 8 semi-annual installments of \$27,918.72, including interest at 0.00%. Final payment due July 2017. Payment from General Fund.	111,674.88
Compensated Absences:	
Vested sick leave, typically liquidated from General and Special Education Fund.	14,400.44
Other Post-employment Benefits:	
See note 12 for a description of the liability for the other post-employment benefits, payments to be made by the General Fund	101,469.00

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

Annual Requirements to Maturity for Long Term Debt

Year Ending June 30	CO Certificates		Capital Lease		Capital	Totals	
					Leases		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2016	310,000	98,872	110,000	21,698	55,837	475,837	120,570
2017	320,000	92,573	110,000	19,773	55,838	485,838	112,345
2018	335,000	85,855	115,000	17,848		450,000	103,703
2019	355,000	78,255	75,000	14,973		430,000	93,228
2020	365,000	69,428	75,000	13,098		440,000	82,525
2021-25	<u>2,155,000</u>	<u>173,146</u>	<u>335,000</u>	<u>28,643</u>		<u>2,490,000</u>	<u>201,789</u>
Totals	<u>\$ 3,840,000</u>	<u>\$ 598,128</u>	<u>\$ 820,000</u>	<u>\$ 116,031</u>	<u>\$ 111,675</u>	<u>\$ 4,771,675</u>	<u>\$ 714,159</u>

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

	Lifebook Computers
Principal	\$ 223,349.76
Interest	
Total	<u>\$ 223,349.76</u>

**NOTE 8 - RESTRICTED NET POSITION**

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

<b><u>Major Purposes:</u></b>	<b><u>Restricted by:</u></b>	<b><u>Amount:</u></b>
Capital Outlay Purposes	Law	\$ 44,559.60
Special Education Purposes	Law	11,264.84
Pension Purposes	Law	4,463.04
SDRS Pension Purposes	Law	613,445.09
Debt Service Purposes	Debt Covenants	303,197.96
Total Restricted Net Position		<u>\$ 976,930.53</u>

**NOTE 9 – 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 \$128,184.34, \$122,010.90, and \$120,364.58, 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, 2015, 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, 2015 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 12,335,058.39
Less proportionate share of total pension assets	<u>11,497,268.19</u>
Proportionate share of net pension asset	<u><u>\$ 837,790.19</u></u>

At June 30, 2015, the School District reported an asset of \$837,790.19 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 .1162856%, which is an increase of .1162856% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension revenue of \$35,387.95. 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	\$ 70,888.38	\$
Changes in assumption	546,884.46	
Net difference between projected and actual earnings on pension plan investments		970,302.28
District contributions subsequent to the measurement date	<u>128,184.34</u>	
TOTAL	<u>\$ 745,957.18</u>	<u>\$ 970,302.28</u>

\$128,184.34 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	\$ (66,571.91)
2016	(66,571.91)
2017	(66,571.91)
2018	<u>(152,813.70)</u>
TOTAL	<u>\$ (352,529.44)</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)	\$ 827,894.29	\$ (837,790.19)	\$ (2,196,329.74)

**Pension Plan Fiduciary Net Position:**

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

**NOTE 10 - POSTEMPLOYMENT MEDICAL PLAN**

*Plan Description:* Baltic 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. The liability exists because of an implicit subsidy of costs of the benefits to retirees of the district. The Sanford Health Plan issues a publicly available actuarial report that includes required supplementary information. That report may be obtained by writing to the Baltic School District, PO Box 309, Baltic, SD 57003 or by calling 605-529-5464.

*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	\$ 26,424
Interest on net OPEB obligation	2,350
Adjustment to annual required contribution	<u>(3,880)</u>
Annual OPEB cost (expense)	24,894
Contributions made	<u>(1,756)</u>
Increase in net OPEB obligation	23,138
Net OPEB obligation - beginning of year	<u>78,331</u>
Net OPEB obligation - end of year	<u>\$ 101,469</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/13	\$ 21,182	41.34%	\$ 72,729
06/30/14	21,426	24.80%	88,841
06/30/15	24,894	7.05%	101,469

*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 \$191,972 and the

actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$191,972.

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.

#### NOTE 11 - JOINT VENTURES

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

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

Baltic	8%
Chester	6%
Colman-Egan	5%
Dell Rapids	15%
Flandreau	14%
Garretson	7%
Howard	9%
Madison Central	15%
Olham-Ramona	4%
Rutland	3%
Tri-Valley	14%

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 setting service fees at a level adequate to fund the adopted budget. The school district retains no equity in the net assets 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 Prairie Lakes Educational Cooperative.

At June 30, 2015, this joint venture had total assets of \$233,217.44, total deferred outflows of resources of \$71,478.60, total liabilities of \$94,406.65, total deferred inflows of resources of \$98,461.58, and net position of \$111,827.81.

#### NOTE 12 - 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 joined the South Dakota Schools Group Insurance Pool. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities administered by Sanford Health. The school district pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members.

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

##### Liability Insurance

The School District joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The School District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the School District. The School District pays an annual premium.

##### Worker's Compensation

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provided workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The school District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with The Fund to resolve any workers' compensation claims. The School District pays an annual premium to provide workers' compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustee to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained retention and through insurance coverage purchased by the

pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool as reinsurance which covers up to \$1,000,000 per individual per incident.

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

Unemployment Benefits

The school has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. The school district has assigned equity in the General Fund in the amount of \$22,334 for the payment of future unemployment benefits. During the year ended June 30, 2015, no claims for unemployment benefits were paid. At June 30, 2015, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

NOTE 13 – INTERFUND TRANSFERS

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

<u>Transfer To:</u>	<u>Transfer From:</u>
Enterprise Fund	General Fund
	\$ 8,999.53

The General Fund transferred funds to the Enterprise Fund for cash needs.

NOTE 14 – SIGNIFICANT CONTINGENCIES - LITIGATION

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

NOTE 15 – PRIOR PERIOD ADJUSTMENT

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

Net Position July 1, 2014, as previously reported	\$ 157,398.87
Restatement for pension accounting:	
Net Pension Asset	327,861.88
Pension related Deferred Outflows of Resources	<u>128,184.34</u>
Net Position July 1, 2014, as restated	<u>\$ 613,445.09</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BALTIC SCHOOL DISTRICT NO. 49-1**  
**BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 647,885.20	\$ 647,885.20	\$ 689,495.45	\$ 41,610.25
Prior Years' Ad Valorem Taxes	3,000.00	3,000.00	1,387.84	(1,612.16)
Utility Taxes	72,000.00	72,000.00	95,221.87	23,221.87
Penalties and Interest on Taxes	1,000.00	1,000.00	669.50	(330.50)
Earnings on Investments and Deposits	2,750.00	2,750.00	3,364.76	614.76
Cocurricular Activities:				
Admissions	16,500.00	16,500.00	20,392.08	3,892.08
Rentals	1,000.00	1,000.00	1,015.00	15.00
Other Pupil Activity Income	4,000.00	4,000.00	6,248.74	2,248.74
Other Revenue from Local Sources:				
Rentals	250.00	250.00	100.00	(150.00)
Services Provided Other LEAs	23,708.61	23,708.61	23,708.61	
Charges for Services	20,000.00	20,000.00	6,476.25	(13,523.75)
Other	20,000.00	20,000.00	16,863.26	(3,136.74)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	19,000.00	19,000.00	17,925.43	(1,074.57)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	1,735,528.54	1,735,528.54	1,779,190.56	43,662.02
Restricted Grants-in-Aid			8,125.00	8,125.00
Other State Revenue	500.00	500.00	1,600.00	1,100.00
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from				
Federal through the State	68,237.00	68,237.00	68,237.00	
Other Federal Revenue	23,494.00	23,494.00	23,494.00	
Total Revenue	<u>2,658,853.35</u>	<u>2,658,853.35</u>	<u>2,763,515.35</u>	<u>104,662.00</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary School	693,292.37	693,292.37	668,985.26	24,307.11
Middle/Junior High	302,712.40	307,312.40	301,719.24	5,593.16
High School	464,028.46	464,028.46	461,161.77	2,866.69
Special Programs:				
Educationally Deprived	49,267.84	49,367.84	49,208.05	159.79
Other Special Programs	86,076.37	86,076.37	70,123.38	15,952.99

**REQUIRED SUPPLEMENTARY INFORMATION  
BALTIC SCHOOL DISTRICT NO. 49-1  
BUDGETARY COMPARISON SCHEDULE -BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance
	<u>Original</u>	<u>Final</u>	(Budgetary Basis)	Positive (Negative)
Support Services:				
Pupils:				
Guidance	93,615.03	97,615.03	93,096.25	4,518.78
Health	7,515.48	7,515.48	6,022.15	1,493.33
Psychological	350.00	350.00		350.00
Support Services - Instructional Staff:				
Improvement of Instruction	26,586.16	30,586.16	26,580.83	4,005.33
Educational Media	148,841.10	148,841.10	141,274.81	7,566.29
Support Services - General Administration:				
Board of Education	32,413.20	33,013.20	30,921.87	2,091.33
Executive Administration	114,753.46	114,753.46	114,126.47	626.99
Support Services - School Administration:				
Office of the Principal	183,617.87	187,617.87	181,049.30	6,568.57
Other	1,000.00	1,000.00	171.07	828.93
Support Services - Business:				
Fiscal Services	77,821.57	77,821.57	76,748.17	1,073.40
Operation and Maintenance of Plant	292,067.60	301,067.60	291,588.35	9,479.25
Pupil Transportation	124,767.37	124,767.37	102,678.64	22,088.73
Support Services - Central:				
Staff	500.00	500.00	259.50	240.50
Nonprogrammed Charges:				
Payments to State - Unemployment	500.00	500.00		500.00
Cocurricular Activities:				
Male Activities	37,897.69	38,897.69	37,069.46	1,828.23
Female Activities	29,887.11	29,887.11	28,773.20	1,113.91
Transportation	9,045.80	9,045.80	8,842.78	203.02
Combined Activities	106,826.53	113,326.53	96,210.32	17,116.21
Contingency	50,000.00	16,200.00		16,200.00
Total Expenditures	<u>2,933,383.41</u>	<u>2,933,383.41</u>	<u>2,786,610.87</u>	<u>146,772.54</u>
Excess of Revenue Over (Under)				
Expenditures	(274,530.06)	(274,530.06)	(23,095.52)	251,434.54
Other Financing Sources:				
Transfers Out	<u>(18,340.61)</u>	<u>(18,340.61)</u>	<u>(8,999.53)</u>	<u>9,341.08</u>
Net Change in Fund Balance	<u>(292,870.67)</u>	<u>(292,870.67)</u>	<u>(32,095.05)</u>	<u>260,775.62</u>
Fund Balance -Beginning	<u>993,830.54</u>	<u>993,830.54</u>	<u>993,830.54</u>	
FUND BALANCE - ENDING	<u>\$ 700,959.87</u>	<u>\$ 700,959.87</u>	<u>\$ 961,735.49</u>	<u>\$ 260,775.62</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BALTIC SCHOOL DISTRICT NO. 49-1**  
**BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS**  
**CAPITAL OUTLAY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<b>Actual</b>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>	<b>(Budgetary Basis)</b>	<b>Positive (Negative)</b>
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 400,737.47	\$ 400,737.47	\$ 422,577.52	\$ 21,840.05
Prior Years' Ad Valorem Taxes	1,000.00	1,000.00	908.56	(91.44)
Penalties and Interest on Taxes	500.00	500.00	454.16	(45.84)
Earnings on Investments and Deposits	1,000.00	1,000.00	228.56	(771.44)
Other Revenue from Local Sources:				
Contributions & Donations	10,000.00	10,000.00	10,850.00	850.00
Other Local Revenues			12,462.49	12,462.49
Revenue from Federal Sources:				
Restricted Grants-in-Aid Received from Federal Government Through the State			20,801.25	20,801.25
<b>Total Revenue</b>	<u>413,237.47</u>	<u>413,237.47</u>	<u>468,282.54</u>	<u>55,045.07</u>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary	76,272.49	76,272.49	43,339.80	32,932.69
Middle/Junior High	19,983.37	19,983.37	13,484.28	6,499.09
High School	93,704.92	93,704.92	62,754.95	30,949.97
Support Services - Instructional Staff:				
Educational Media	7,550.00	7,550.00	4,358.70	3,191.30
Support Services - Business:				
Fiscal Services	11,075.00	15,075.00	10,549.83	4,525.17
Facilities Acquisition & Construction	10,000.00	16,000.00	9,378.57	6,621.43
Operations and Maintenance	9,180.00	16,680.00	8,995.10	7,684.90
Pupil Transportation	83,300.00	103,600.00	83,205.00	20,395.00
Debt Services	192,603.00	194,903.00	192,559.04	2,343.96
Cocurricular Activities-Combined	22,500.00	45,000.00	22,474.16	22,525.84
<b>Total Expenditures</b>	<u>526,168.78</u>	<u>588,768.78</u>	<u>451,099.43</u>	<u>137,669.35</u>
<b>Net Change in Fund Balance</b>	(112,931.31)	(175,531.31)	17,183.11	192,714.42
<b>Fund Balance - Beginning</b>	<u>133,804.58</u>	<u>133,804.58</u>	<u>133,804.58</u>	
<b>FUND BALANCE - ENDING</b>	<u>\$ 20,873.27</u>	<u>\$ (41,726.73)</u>	<u>\$ 150,987.69</u>	<u>\$ 192,714.42</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BALTIC SCHOOL DISTRICT NO. 49-1**  
**BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS**  
**SPECIAL EDUCATION FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Positive</u> <u>(Negative)</u>
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 238,027.63	\$ 238,027.63	\$250,781.93	\$ 12,754.30
Prior Years' Ad Valorem Taxes	750.00	750.00	543.68	(206.32)
Penalties and Interest on Taxes	500.00	500.00	274.22	(225.78)
Earnings on Investments and Deposits	50.00	50.00	208.52	158.52
Other Revenue from Local Sources:				
Charges for Services	2,500.00	2,500.00	3,030.51	530.51
Revenue from State Sources:				
Restricted Grant in Aid	292,364.96	292,364.96	137,157.00	(155,207.96)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received				
Federal Government through State	72,905.00	72,905.00	80,310.00	7,405.00
Total Revenue	<u>607,097.59</u>	<u>607,097.59</u>	<u>472,305.86</u>	<u>(134,791.73)</u>
<b>Expenditures:</b>				
Special Programs				
Programs for Special Education	444,582.94	447,082.94	398,529.40	48,553.54
Support Services:				
Pupils:				
Psychological	25,000.00	25,000.00	24,632.10	367.90
Speech Pathology	49,731.19	49,731.19	46,533.50	3,197.69
Audiology	2,000.00	2,000.00		2,000.00
Student Therapy Services	49,700.00	55,900.00	48,954.00	6,946.00
Support Services - General Administration				
Board of Education	631.31	631.31		631.31
Support Services - Special Education				
Administrative Costs	25,700.00	25,700.00	23,150.34	2,549.66
Transportation Costs	17,452.15	17,452.15	8,563.42	8,888.73
Pre-School	1,000.00	1,000.00		1,000.00
Total Expenditures	<u>615,797.59</u>	<u>624,497.59</u>	<u>550,362.76</u>	<u>74,134.83</u>
Net Change in Fund Balance	(8,700.00)	(17,400.00)	(78,056.90)	(60,656.90)
Fund Balance -Beginning	<u>86,001.55</u>	<u>86,001.55</u>	<u>86,001.55</u>	<u></u>
FUND BALANCE - ENDING	<u>\$ 77,301.55</u>	<u>\$ 68,601.55</u>	<u>\$ 7,944.65</u>	<u>\$ (60,656.90)</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
 BALTIC SCHOOL DISTRICT NO. 49-1  
 BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS  
 PENSION FUND  
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 47,146.00	\$ 47,146.00	\$ 49,715.06	\$ 2,569.06
Prior Years' Ad Valorem Taxes	450.00	450.00	106.89	(343.11)
Penalties and Interest on Taxes	150.00	150.00	53.41	(96.59)
Earnings on Investments and Deposits	250.00	250.00	156.86	(93.14)
Total Revenue	<u>47,996.00</u>	<u>47,996.00</u>	<u>50,032.22</u>	<u>2,036.22</u>
<b>Expenditures:</b>				
Instruction:				
Elementary	31,752.00	31,752.00	30,179.99	1,572.01
Middle/Junior High	14,297.00	14,697.00	14,206.84	490.16
High School	<u>20,909.00</u>	<u>20,909.00</u>	<u>19,257.07</u>	<u>1,651.93</u>
Total Expenditures	<u>66,958.00</u>	<u>67,358.00</u>	<u>63,643.90</u>	<u>3,714.10</u>
Net Change in Fund Balance	(18,962.00)	(19,362.00)	(13,611.68)	5,750.32
Fund Balance - Beginning	<u>17,477.75</u>	<u>17,477.75</u>	<u>17,477.75</u>	<u>                    </u>
FUND BALANCE - ENDING	<u>\$ (1,484.25)</u>	<u>\$ (1,884.25)</u>	<u>\$ 3,866.07</u>	<u>\$ 5,750.32</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BALTIC SCHOOL DISTRICT NO. 49-1**  
**SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS**  
**FOR THE YEAR ENDED 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	\$ 175,077	\$ 175,077	0.0%	\$1,457,234	12%
6/30/2012	0.00	151,573	151,573	0.0%	1,579,653	10%
6/30/2015	0.00	191,972	191,972	0.0%	1,650,028	12%

**Schedule of Required Supplementary Information**  
**BALTIC SCHOOL DISTRICT NO. 49-1**  
**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)	0.1162856%
District's proportionate share of net pension liability (asset)	\$ (837,790)
District's covered-employee payroll	\$ 2,033,510
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**  
**BALTIC SCHOOL DISTRICT NO. 49-1**  
**SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS**  
**South Dakota Retirement System**

	<u>2014</u>	<u>2015</u>
Contractually required contribution	<u>\$ 122,011</u>	<u>\$ 128,184</u>
Contributions in relation to the contractually required contribution	<u>\$ 122,011</u>	<u>\$ 128,184</u>
Contribution deficiency (excess)	<u>\$ _____</u>	<u>\$ _____</u>
District's covered-employee payroll	\$2,033,510	\$2,136,401
Contributions as a percentage of covered-employee payroll	6.00%	6.00%

BALTIC SCHOOL DISTRICT NO. 49-1  
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. No amount of expenditures may be charged directly to the contingency line item in the budget.
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

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

School Board  
Baltic School District No. 49-1  
Minnehaha County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Baltic School District No. 49-1, Minnehaha County, South Dakota as of June 30, 2015 for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 17, 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 School District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, 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 is required to be reported under *Government Auditing Standards*.

## **School District's Response to Findings**

Baltic School District's response to the findings identified in our audit is in the accompanying Corrective Action Plan. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

*Quam & Berglin, P.C.*

Quam and Berglin, P.C.  
Certified Public Accountants

March 17, 2016

**BALTIC SCHOOL DISTRICT NO. 49-1  
SCHEDULE OF AUDIT FINDINGS  
JUNE 30, 2015**

**PRIOR AUDIT FINDINGS:**

**Audit Finding Number 2014-001:**

A significant deficiency was reported for a lack of segregation of duties for revenues. This finding is still present and is being restated as a significant deficiency in Audit Finding Number 2015-001.

**Audit Finding Number 2014-002**

The expenditures paid from the Capital Outlay Fund exceeded the total amounts budgeted for the fiscal year 2014 by \$160,645.73. This finding has since been corrected.

**CURRENT AUDIT FINDINGS:**

***Internal Control-Related Findings-Significant Deficiency***

**Audit Finding Number 2015-001:**

There is a significant deficiency resulting from 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 the 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 Baltic School District officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating controls, whenever, and wherever, possible and practical.



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*Preparing Students to be Successful in Life*

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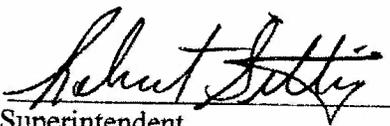
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**CORRECTIVE PLAN OF ACTION**  
June 30, 2015

Baltic School District No. 49-1 has considered the lack of segregation of duties for the revenues function. At this time it is not cost effective for Baltic School District to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by Baltic School District to decrease the likelihood that financial data is adversely affected.

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

  
Business Manager

  
Superintendent