



Financial Statements  
June 30, 2015 and 2014

# Big Stone City School District 25-1

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CPAs & BUSINESS ADVISORS

## Independent Auditor's Report

The School Board  
Big Stone City School District 25-1  
Big Stone City, 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 Big Stone City School District 25-1 (the School District) as of June 30, 2015 and for each of the years in the two year period 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

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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, 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 from 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2015, and the respective changes in financial position and, where, applicable, cash flows thereof for each of years in the two year period then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described in Note 1 to the financial statements, the School District adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The School District has updated the current period reporting for this item as no retroactive restatement was necessary. Our opinions are not modified with respect to this matter.

As discussed in Notes 1 and 15 to the financial statements, the School District has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of July 1, 2014. In accordance with GASB Statement No. 68, the 2014 financial statements have not been restated to reflect this change. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the schedule of funding progress, budgetary comparison schedules, schedule of net pension liability (asset), and schedule of pension contributions on pages 43-57 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 managements responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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.

Management has omitted the management's discussion and analysis that the accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2015 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

*Eide Sully LLP*

Aberdeen, South Dakota  
November 10, 2015

Big Stone City School District 25-1  
Statement of Net Position  
June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 874,797	\$ 4,105	\$ 878,902
Taxes receivable	385,045	-	385,045
Accounts receivable	20,848	-	20,848
Inventories	1,312	2,401	3,713
Prepaid expenses	31,729	-	31,729
Net pension asset	308,549	26,830	335,379
Capital assets not being depreciated			
Land	240	-	240
Capital assets, net of accumulated depreciation			
Improvements other than buildings	30,756	-	30,756
Buildings	157,981	-	157,981
Machinery and equipment	8,869	31,096	39,965
	<u>1,820,126</u>	<u>64,432</u>	<u>1,884,558</u>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	271,920	24,176	296,096
	<u>\$ 2,092,046</u>	<u>\$ 88,608</u>	<u>\$ 2,180,654</u>
<b>Liabilities</b>			
Accounts payable	\$ 1,312	\$ -	\$ 1,312
Other current liabilities	96,376	5,776	102,152
Noncurrent liabilities			
Due within one year	17,982	-	17,982
Due in more than one year	5,845	-	5,845
	<u>121,515</u>	<u>5,776</u>	<u>127,291</u>
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows	357,352	31,074	388,426
Taxes levied for future period	415,597	-	415,597
	<u>772,949</u>	<u>31,074</u>	<u>804,023</u>
<b>Net Position</b>			
Net investment in capital assets	190,767	31,096	221,863
Restricted for			
Capital Outlay	94,656	-	94,656
Special Education	103,554	-	103,554
Pension Fund purposes	87,753	-	87,753
SDRS pension purposes	223,117	19,932	243,049
Unrestricted	497,735	730	498,465
	<u>1,197,582</u>	<u>51,758</u>	<u>1,249,340</u>
Total net position	<u>\$ 2,092,046</u>	<u>\$ 88,608</u>	<u>\$ 2,180,654</u>

Big Stone City School District 25-1  
Statements of Activities  
Years Ended June 30, 2015 and 2014

Functions/Programs	2015						
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
Governmental activities:							
Instruction	\$ 943,971	\$ 233,675	\$ 93,730	\$ -	\$ (616,566)	\$ -	\$ (616,566)
Support services	469,793	-	3,543	-	(466,250)	-	(466,250)
Nonprogrammed charges	1,875	-	-	-	(1,875)	-	(1,875)
*Interest on long-term debt	286	-	-	-	(286)	-	(286)
Cocurricular activities	23,335	450	-	-	(22,885)	-	(22,885)
Total governmental activities	<u>1,439,260</u>	<u>234,125</u>	<u>97,273</u>	<u>-</u>	<u>(1,107,862)</u>	<u>-</u>	<u>(1,107,862)</u>
Business-type activities:							
Food service	72,466	26,932	37,914	-	-	(7,620)	(7,620)
Preschool	44,192	50,029	-	-	-	5,837	5,837
Total business-type activities	<u>116,658</u>	<u>76,961</u>	<u>37,914</u>	<u>-</u>	<u>-</u>	<u>(1,783)</u>	<u>(1,783)</u>
	<u>\$ 1,555,918</u>	<u>\$ 311,086</u>	<u>\$ 135,187</u>	<u>\$ -</u>	<u>(1,107,862)</u>	<u>(1,783)</u>	<u>(1,109,645)</u>
<b>General Revenues</b>							
Property taxes					870,076	-	870,076
Gross receipts taxes					19,954	-	19,954
Revenue from State sources:							
State aid					204,874	-	204,874
Unrestricted investment earnings					12,487	-	12,487
Rentals					790	-	790
Other general revenues					78,414	1,942	80,356
Transfers					(4,000)	4,000	-
Total general revenues					<u>1,182,595</u>	<u>5,942</u>	<u>1,188,537</u>
Change in Net Position					<u>74,733</u>	<u>4,159</u>	<u>78,892</u>
Net Position - Beginning, as previously stated					957,165	33,191	990,356
Change in Reporting, GASB 68 (See Note 14)					<u>165,684</u>	<u>14,408</u>	<u>180,092</u>
Net Position - Beginning, as Restated					1,122,849	47,599	1,170,448
Net Position - Ending					<u>\$ 1,197,582</u>	<u>\$ 51,758</u>	<u>\$ 1,249,340</u>

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

Big Stone City School District 25-1  
Statements of Activities  
Years Ended June 30, 2015 and 2014

2014							
Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
<b>Primary Government</b>							
Governmental activities:							
Instruction	\$ 961,549	\$ 215,428	\$ 117,828	\$ -	\$ (628,293)	\$ -	\$ (628,293)
Support services	455,335	-	1,441	-	(453,894)	-	(453,894)
Nonprogrammed charges	3,560	-	-	-	(3,560)	-	(3,560)
* Interest on long-term debt	168	-	-	-	(168)	-	(168)
Cocurricular activities	20,875	336	-	-	(20,539)	-	(20,539)
Total governmental activities	<u>1,441,487</u>	<u>215,764</u>	<u>119,269</u>	<u>-</u>	<u>(1,106,454)</u>	<u>-</u>	<u>(1,106,454)</u>
Business-type activities:							
Food service	78,274	28,717	43,831	977	-	(4,749)	(4,749)
Preschool	51,953	26,213	-	-	-	(25,740)	(25,740)
Total business-type activities	<u>130,227</u>	<u>54,930</u>	<u>43,831</u>	<u>977</u>	<u>-</u>	<u>(30,489)</u>	<u>(30,489)</u>
	<u>\$ 1,571,714</u>	<u>\$ 270,694</u>	<u>\$ 163,100</u>	<u>\$ 977</u>	<u>(1,106,454)</u>	<u>(30,489)</u>	<u>(1,136,943)</u>
<b>General Revenues</b>							
Property taxes					794,941	-	794,941
Gross receipts taxes					19,775	-	19,775
Revenue from State sources:							
State aid					243,579	-	243,579
Interest earned					5,479	-	5,479
Other general revenues					29,134	4,317	33,451
Transfers					(24,028)	24,028	-
Total general revenues					<u>1,068,880</u>	<u>28,345</u>	<u>1,097,225</u>
Change in Net Position					(37,574)	(2,144)	(39,718)
Net Position - Beginning					994,739	35,335	1,030,074
Net Position - Ending					<u>\$ 957,165</u>	<u>\$ 33,191</u>	<u>\$ 990,356</u>

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

Big Stone City School District 25-1  
Balance Sheet – Governmental Funds  
June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 569,377	\$ 99,978	\$ 114,356	\$ 91,086	\$ 874,797
Taxes receivable - current	294,397	29,557	42,423	8,604	374,981
Taxes receivable - delinquent	7,798	838	1,189	239	10,064
Accounts receivable	1,320	-	-	-	1,320
Due from other funds	3,230	-	-	-	3,230
Due from other governments	19,528	-	-	-	19,528
Supplies inventory	-	1,312	-	-	1,312
	<u>\$ 895,650</u>	<u>\$ 131,685</u>	<u>\$ 157,968</u>	<u>\$ 99,929</u>	<u>\$ 1,285,232</u>
<b>Liabilities and Fund Balances</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ -	\$ 1,312	\$ -	\$ -	\$ 1,312
Contracts payable	74,034	-	5,567	2,400	82,001
Due to other funds	-	3,230	-	-	3,230
Payroll deductions and withholdings and employer matching payable	13,315	-	743	317	14,375
Total liabilities	<u>87,349</u>	<u>4,542</u>	<u>6,310</u>	<u>2,717</u>	<u>100,918</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - utility taxes	10,855	-	-	-	10,855
Unavailable revenue - delinquent property taxes	7,798	838	1,189	239	10,064
Taxes levied for a future period	325,547	32,487	48,104	9,459	415,597
Total deferred inflows of resources	<u>344,200</u>	<u>33,325</u>	<u>49,293</u>	<u>9,698</u>	<u>436,516</u>
<b>Fund Balances</b>					
Nonspendable for:					
Inventory	-	1,312	-	-	1,312
Restricted for:					
Capital Outlay	-	92,506	-	-	92,506
Special Education	-	-	102,365	-	102,365
Pension	-	-	-	87,514	87,514
Unassigned	464,101	-	-	-	464,101
Total fund balances	<u>464,101</u>	<u>93,818</u>	<u>102,365</u>	<u>87,514</u>	<u>747,798</u>
	<u>\$ 895,650</u>	<u>\$ 131,685</u>	<u>\$ 157,968</u>	<u>\$ 99,929</u>	<u>\$ 1,285,232</u>

Big Stone City School District 25-1  
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
Year Ended June 30, 2015

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Total Fund Balances - Governmental Funds	\$ 747,798
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not current financial resources and; therefore, are not reported in the funds.	197,846
Long-term liabilities, including accrued leave payable, are not due and payable in the current period and; therefore, are not reported in the funds.	(23,827)
Long-term assets, including prepaid OPEB obligations are not due and payable in the current period and; therefore, are not reported in the funds.	31,729
Assets such as taxes receivable (delinquent and utility) are not available to pay for current period expenditures and; therefore, are deferred in the funds.	20,919
Net pension asset, pension related deferred inflows of resources, and pension related deferred outflows of resources do not represent available financial resources and therefore are not reported in the funds.	<u>223,117</u>
Net Position - Governmental Funds	<u><u>\$ 1,197,582</u></u>

Big Stone City School District 25-1  
 Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
 Years Ended June 30, 2015 and 2014

	2015				
	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
<b>Revenues</b>					
Revenue from local sources					
Taxes:					
Ad valorem taxes	\$ 668,766	\$ 68,633	\$ 97,721	\$ 19,976	\$ 855,096
Prior year's ad valorem taxes	8,519	999	1,352	262	11,132
Gross receipts taxes	9,099	-	-	-	9,099
Penalties and interest on taxes	3,581	168	220	42	4,011
Tuition and fees:					
Regular day school tuition	172,305	-	61,370	-	233,675
Earnings on investments and deposits	12,487	-	-	-	12,487
Cocurricular activities:					
Other pupil activity income	450	-	-	-	450
Other revenue from local sources:					
Rentals	790	-	-	-	790
Contributions and donations	3,543	-	-	-	3,543
Services provided other LEAs	25,300	-	-	-	25,300
Charges for services	2,126	-	122	-	2,248
Other	30,324	-	785	-	31,109
Revenue from intermediate sources					
County sources:					
County apportionment	6,464	-	-	-	6,464
Revenue in lieu of taxes	260	-	-	-	260
Revenue from State sources					
Grants-in-aid:					
Unrestricted grants-in-aid	204,874	-	-	-	204,874
Restricted grants-in-aid	-	-	17,730	-	17,730
Revenue from Federal sources					
Grants-in-aid:					
Restricted grants-in-aid received from Federal government through the State	54,190	-	21,810	-	76,000
Total revenues	<u>1,203,078</u>	<u>69,800</u>	<u>201,110</u>	<u>20,280</u>	<u>1,494,268</u>
<b>Expenditures</b>					
Instruction					
Regular programs:					
Elementary	352,579	1,163	-	12,676	366,418
Middle/junior high	147,864	-	-	-	147,864
Special programs:					
Programs for special education	-	-	147,322	-	147,322
Educationally deprived	39,833	-	-	-	39,833
Tuition	275,073	-	-	-	275,073
Support services					
Pupils:					
Guidance	39,800	-	-	-	39,800
Psychological	-	-	900	-	900
Speech pathology	-	-	33,318	-	33,318
Student therapy services	-	-	6,881	-	6,881
Support services - instructional staff:					
Improvement of instruction	15,437	-	-	-	15,437
Educational media	20,656	-	-	-	20,656
Support services - general administration:					
Board of Education	4,418	-	-	-	4,418
Support services - school administration:					
Office of the Principal	72,629	-	-	-	72,629
Other school administration	53	-	-	-	53
Support services - business:					
Fiscal services	84,160	-	-	-	84,160
Operation and maintenance of plant	100,087	49,608	-	-	149,695
Pupil transportation	42,757	-	-	-	42,757
Community services					
Welfare activities	619	-	-	-	619

Big Stone City School District 25-1  
 Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
 Years Ended June 30, 2015 and 2014

	2015				Total Governmental Funds
	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	
Nonprogrammed charges					
Early retirement payments	-	-	-	6,917	6,917
Debt service	-	2,153	-	-	2,153
Cocurricular activities					
Combined activities	17,183	-	-	-	17,183
Total expenditures	<u>1,213,148</u>	<u>52,924</u>	<u>188,421</u>	<u>19,593</u>	<u>1,474,086</u>
Excess of Revenue over (under) Expenditures	<u>(10,070)</u>	<u>16,876</u>	<u>12,689</u>	<u>687</u>	<u>20,182</u>
Other Financing Sources (Uses)					
Transfers out	(4,000)	-	-	-	(4,000)
Total other financing sources (uses)	<u>(4,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,000)</u>
Net Change in Fund Balance	(14,070)	16,876	12,689	687	16,182
Fund Balance - Beginning	478,171	76,942	89,676	86,827	731,616
Fund Balance - Ending	<u>\$ 464,101</u>	<u>\$ 93,818</u>	<u>\$ 102,365</u>	<u>\$ 87,514</u>	<u>\$ 747,798</u>

Big Stone City School District 25-1  
 Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
 Years Ended June 30, 2015 and 2014

	2014				
	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
<b>Revenues</b>					
Revenue from local sources					
Taxes:					
Ad valorem taxes	\$ 615,265	\$ 60,536	\$ 90,207	\$ 18,017	\$ 784,025
Prior year's ad valorem taxes	5,169	465	601	118	6,353
Gross receipts taxes	19,775	-	-	-	19,775
Penalties and interest on taxes	5,164	120	160	30	5,474
Tuition and fees:					
Regular day school tuition	156,057	-	59,371	-	215,428
Earnings on investments and deposits	5,479	-	-	-	5,479
Cocurricular activities					
Other pupil activity income	336	-	-	-	336
Other revenue from local sources:					
Rentals	550	-	-	-	550
Contributions and donations	1,441	-	-	-	1,441
Refund of prior years' expenditures	1,644	-	-	-	1,644
Charges for services	7,183	-	410	-	7,593
Other	14,336	-	300	-	14,636
Revenue from intermediate sources					
County sources:					
County apportionment	3,229	-	-	-	3,229
Revenue in lieu of taxes	138	-	-	-	138
Revenue from State sources					
Grants-in-aid:					
Unrestricted grants-in-aid	243,579	-	-	-	243,579
Restricted grants-in-aid	-	-	30,036	-	30,036
Other state revenue	1,344	-	-	-	1,344
Revenue from Federal sources					
Grants-in-aid:					
Restricted grants-in-aid received from Federal government through the State	54,397	12,000	21,395	-	87,792
<b>Total revenues</b>	<b>1,135,086</b>	<b>73,121</b>	<b>202,480</b>	<b>18,165</b>	<b>1,428,852</b>
<b>Expenditures</b>					
Instruction					
Regular programs:					
Elementary	316,591	21,542	-	14,000	352,133
Middle/junior high	147,677	3,488	-	-	151,165
Special programs:					
Programs for special education	-	-	143,712	-	143,712
Educationally deprived	54,149	-	-	-	54,149
Tuition	261,828	-	-	-	261,828
Support services					
Pupils:					
Guidance	38,658	-	-	-	38,658
Psychological	-	-	2,074	-	2,074
Speech pathology	-	-	33,548	-	33,548
Student therapy services	-	-	4,278	-	4,278
Support services - instructional staff:					
Improvement of instruction	13,670	-	-	-	13,670
Educational media	22,397	-	-	-	22,397
Support services - general administration:					
Board of Education	19,388	-	-	-	19,388
Support services - school administration:					
Office of the Principal	71,474	-	-	-	71,474
Other school administration	237	-	-	-	237
Support services - business:					
Fiscal services	62,538	-	-	-	62,538
Operation and maintenance of plant	95,231	30,043	-	-	125,274
Pupil transportation	41,082	-	-	-	41,082
Food services	-	977	-	-	977

Big Stone City School District 25-1  
 Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
 Years Ended June 30, 2015 and 2014

	2014				Total Governmental Funds
	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	
Community services					
Other community services	2,363	-	-	-	2,363
Nonprogrammed charges					
Early retirement payments	-	-	-	13,360	13,360
Debt service	-	1,077	-	-	1,077
Cocurricular activities					
Combined activities	14,659	-	-	-	14,659
Capital outlay	-	23,132	-	-	23,132
Total expenditures	<u>1,161,942</u>	<u>80,259</u>	<u>183,612</u>	<u>27,360</u>	<u>1,453,173</u>
Excess of Revenue over (under) Expenditures	<u>(26,856)</u>	<u>(7,138)</u>	<u>18,868</u>	<u>(9,195)</u>	<u>(24,321)</u>
Other Financing Sources (Uses)					
Capital leases	-	9,855	-	-	9,855
Transfers out	(24,028)	-	-	-	(24,028)
Total other financing sources (uses)	<u>(24,028)</u>	<u>9,855</u>	<u>-</u>	<u>-</u>	<u>(14,173)</u>
Net Change in Fund Balance	(50,884)	2,717	18,868	(9,195)	(38,494)
Fund Balance - Beginning	529,055	74,225	70,808	96,022	770,110
Fund Balance - Ending	<u>\$ 478,171</u>	<u>\$ 76,942</u>	<u>\$ 89,676</u>	<u>\$ 86,827</u>	<u>\$ 731,616</u>

Big Stone City School District 25-1  
 Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances to the Government-  
 Wide Statement of Activities  
 Years Ended June 30, 2015 and 2014

	2015	2014
Net Change in Fund Balances - Total Governmental Funds	\$ 16,182	\$ (38,494)
Amounts Reported for Governmental Activities in the Statements of Activities Are Different Because:		
Governmental funds report capital outlays as expenditures; however, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$22,028) exceeded Capital Outlay (\$0) in 2015 and which depreciation (\$25,390) exceeded Capital Outlay (\$23,132) in 2014.	(22,028)	(2,258)
Governmental funds do not reflect the change in long-term debt, but the statements of activities reflects the change in long-term debt through expenditures.	5,973	2,513
The accrual of OPEB costs are not reflected in governmental funds, but the statements of activities reflects the change in this liability or prepaid asset from one year to the next.	6,481	1,576
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from both property and utility tax accruals in the funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".	10,692	(911)
Revenues and reductions of expenses related to pensions do not provide current financial resources and; therefore, are not reported in the funds.	57,433	-
Change in Net Assets of Governmental Activities	\$ 74,733	\$ (37,574)

Big Stone City School District 25-1  
Statement of Net Position – Proprietary Funds  
June 30, 2015

	Enterprise		Total
	Food Service Fund	Preschool Fund	
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 662	\$ 3,443	\$ 4,105
Inventory of supplies	602	-	602
Inventory of stores purchased for resale	1,133	-	1,133
Inventory of donated food	666	-	666
Total current assets	<u>3,063</u>	<u>3,443</u>	<u>6,506</u>
<b>Noncurrent Assets</b>			
Net pension asset	10,061	16,769	26,830
Capital assets:			
Machinery and equipment - local funds	51,301	-	51,301
Less accumulated depreciation	<u>(20,205)</u>	<u>-</u>	<u>(20,205)</u>
Total noncurrent assets	<u>41,157</u>	<u>16,769</u>	<u>57,926</u>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	<u>9,371</u>	<u>14,805</u>	<u>24,176</u>
	<u>\$ 53,591</u>	<u>\$ 35,017</u>	<u>\$ 88,608</u>
<b>Liabilities and Net Position</b>			
<b>Liabilities</b>			
Contracts payable	\$ -	\$ 5,099	\$ 5,099
Payroll deductions and withholdings and employer matching payable	<u>-</u>	<u>677</u>	<u>677</u>
Total liabilities	<u>-</u>	<u>5,776</u>	<u>5,776</u>
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows	<u>11,653</u>	<u>19,421</u>	<u>31,074</u>
<b>Net Position</b>			
Net investment in capital assets	31,096	-	31,096
SDRS pension purposes	7,779	12,153	19,932
Unrestricted net position	<u>3,063</u>	<u>(2,333)</u>	<u>730</u>
Total net position	<u>41,938</u>	<u>9,820</u>	<u>51,758</u>
	<u>\$ 53,591</u>	<u>\$ 35,017</u>	<u>\$ 88,608</u>

Big Stone City School District 25-1  
 Statements of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds  
 Years Ended June 30, 2015 and 2014

	2015		
	Enterprise		
	Food Service Fund	Preschool Fund	Total
Operating Revenue			
Tuition and fees			
Student tuition	\$ -	\$ 49,321	\$ 49,321
Sales			
To pupils	22,706	-	22,706
To adults	3,801	-	3,801
Pension revenue	425	708	1,133
Total operating revenue	<u>26,932</u>	<u>50,029</u>	<u>76,961</u>
Operating Expenses			
Salaries	30,757	40,014	70,771
Employee benefits	2,049	2,787	4,836
Purchased services	962	-	962
Supplies	912	1,391	2,303
Cost of sales - purchased	32,634	-	32,634
Cost of sales - donated	670	-	670
Depreciation	4,390	-	4,390
Other	92	-	92
Total operating expenses	<u>72,466</u>	<u>44,192</u>	<u>116,658</u>
Operating Income (Loss)	<u>(45,534)</u>	<u>5,837</u>	<u>(39,697)</u>
Nonoperating Revenue			
Other local revenue	1,461	481	1,942
State sources:			
Cash reimbursements	363	-	363
Federal sources:			
Cash reimbursements	37,239	-	37,239
Donated food	312	-	312
Total nonoperating revenue	<u>39,375</u>	<u>481</u>	<u>39,856</u>
Income (Loss) Before Contributions and Transfers	(6,159)	6,318	159
Transfers in	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Change in Net Position	<u>(2,159)</u>	<u>6,318</u>	<u>4,159</u>
Net Position - Beginning, as Previously Stated	38,694	(5,503)	33,191
Change in Reporting, GASB 68 (See Note 15)	<u>5,403</u>	<u>9,005</u>	<u>14,408</u>
Net Position - Beginning, as Restated	<u>44,097</u>	<u>3,502</u>	<u>47,599</u>
Net Position - Ending	<u>\$ 41,938</u>	<u>\$ 9,820</u>	<u>\$ 51,758</u>

Big Stone City School District 25-1  
 Statements of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds  
 Years Ended June 30, 2015 and 2014

	2014		
	Enterprise		
	Food Service Fund	Preschool Fund	Total
Operating Revenue			
Tuition and fees			
Student tuition	\$ -	\$ 26,213	\$ 26,213
Sales			
To pupils	24,443	-	24,443
To adults	4,274	-	4,274
Total operating revenue	<u>28,717</u>	<u>26,213</u>	<u>54,930</u>
Operating Expenses			
Salaries	30,038	41,588	71,626
Employee benefits	3,933	8,209	12,142
Purchased services	971	274	1,245
Supplies	3,279	1,882	5,161
Cost of sales - purchased	33,831	-	33,831
Cost of sales - donated	1,823	-	1,823
Depreciation	4,390	-	4,390
Other	9	-	9
Total operating expenses	<u>78,274</u>	<u>51,953</u>	<u>130,227</u>
Operating Loss	<u>(49,557)</u>	<u>(25,740)</u>	<u>(75,297)</u>
Nonoperating Revenue			
Local sources:			
Other local revenue	1,580	2,737	4,317
State sources:			
Cash reimbursements	244	-	244
Federal sources:			
Cash reimbursements	41,970	-	41,970
Donated food	1,617	-	1,617
Total nonoperating revenue	<u>45,411</u>	<u>2,737</u>	<u>48,148</u>
Loss Before Contributions and Transfers	(4,146)	(23,003)	(27,149)
Capital Contributions	977	-	977
Transfers in	600	23,428	24,028
Change in Net Position	(2,569)	425	(2,144)
Net Position - Beginning	<u>41,263</u>	<u>(5,928)</u>	<u>35,335</u>
Net Position - Ending	<u>\$ 38,694</u>	<u>\$ (5,503)</u>	<u>\$ 33,191</u>

Big Stone City School District 25-1  
Statements of Cash Flows – Proprietary Funds  
Years Ended June 30, 2015 and 2014

	2015		
	Enterprise		
	Food Service Fund	Preschool Fund	Total
Cash Flows from (used for) Operating Activities			
Cash receipts from customers	\$ 26,507	\$ 49,321	\$ 75,828
Cash payments to employees for services	(35,182)	(45,760)	(80,942)
Cash payments to suppliers for goods or services	(33,648)	(683)	(34,331)
Other operating cash payments	(92)	-	(92)
Net Cash from (used for) Operating Activities	<u>(42,415)</u>	<u>2,878</u>	<u>(39,537)</u>
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	4,000	-	4,000
Donations and other fund raising activities	1,461	481	1,942
Cash reimbursements - State sources	363	-	363
Cash reimbursements - Federal sources	37,239	-	37,239
Net Cash from Noncapital Financing Activities	<u>43,063</u>	<u>481</u>	<u>43,544</u>
Net Change in Cash and Cash Equivalents	648	3,359	4,007
Cash and Cash Equivalents Beginning of Year	<u>14</u>	<u>84</u>	<u>98</u>
Cash and Cash Equivalents End of Year	<u>\$ 662</u>	<u>\$ 3,443</u>	<u>\$ 4,105</u>
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities			
Operating income (loss)	\$ (45,534)	\$ 5,837	\$ (39,697)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:			
Depreciation	4,390	-	4,390
Value of donated commodities used	670	-	670
Change in assets and liabilities:			
Inventories	435	-	435
Accrued wages payable	-	170	170
Pension deferred inflows	11,653	19,421	31,074
Pension asset and deferred outflows	(14,029)	(22,572)	(36,601)
Accrued payroll liabilities	-	22	22
Net Cash from (used for) Operating Activities	<u>\$ (42,415)</u>	<u>\$ 2,878</u>	<u>\$ (39,537)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	\$ 312	\$ -	\$ 312

Big Stone City School District 25-1  
 Statements of Cash Flows – Proprietary Funds  
 Year Ended June 30, 2014

	2014		
	Enterprise		Total
	Food Service Fund	Preschool Fund	
Cash Flows used for Operating Activities			
Cash receipts from customers	\$ 29,168	\$ 26,213	\$ 55,381
Cash payments to employees for services	(34,076)	(50,961)	(85,037)
Cash payments to suppliers for goods or services	(37,978)	(2,381)	(40,359)
Other operating cash payments	(9)	-	(9)
Net Cash used for Operating Activities	<u>(42,895)</u>	<u>(27,129)</u>	<u>(70,024)</u>
Cash Flows from Noncapital Financing Activities			
Advances from (repayment to) General Fund	(1,485)	-	(1,485)
Transfers from other funds	600	23,428	24,028
Donations and other fund raising activities	1,580	2,737	4,317
Cash reimbursements - State sources	244	-	244
Cash reimbursements - Federal sources	41,970	-	41,970
Net Cash from Noncapital Financing Activities	<u>42,909</u>	<u>26,165</u>	<u>69,074</u>
Net Change in Cash and Cash Equivalents	14	(964)	(950)
Cash and Cash Equivalents Beginning of Year	-	1,048	1,048
Cash and Cash Equivalents End of Year	<u>\$ 14</u>	<u>\$ 84</u>	<u>\$ 98</u>
Reconciliation of Operating Loss to Net Cash used for Operating Activities			
Operating loss	\$ (49,557)	\$ (25,740)	\$ (75,297)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation	4,390	-	4,390
Value of donated commodities used	1,823	-	1,823
Change in assets and liabilities:			
Receivables	451	-	451
Inventories	268	-	268
Accounts and other payables	(165)	(225)	(390)
Accrued wages payable	(97)	(431)	(528)
Accrued payroll liabilities	(8)	(733)	(741)
Net Cash used for Operating Activities	<u>\$ (42,895)</u>	<u>\$ (27,129)</u>	<u>\$ (70,024)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	\$ 1,617	\$ -	\$ 1,617
Capital contributions	977	-	977

Big Stone City School District 25-1  
Statement of Fiduciary Net Position – Fiduciary Funds  
June 30, 2015

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	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 7,050
	<u>\$ 7,050</u>
Liabilities	
Amounts held for others	\$ 7,050
	<u>\$ 7,050</u>

## **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Big Stone City School District 25-1 conform to generally accepted accounting principles applicable to government entities in the United States of America.

### **Financial Reporting Entity**

The reporting entity of the Big Stone City School District 25-1 (the School District) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the School District); 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 School District's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has no component units.

### **Basis of Presentation**

The financial statements of the School District have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard setting body for governmental accounting and financial reporting.

### **Government-Wide Financial Statements**

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

The statement of net position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position are displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

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

## **Fund Financial Statements**

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

1. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5% 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.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary services.

The funds of the School District are described below within their respective fund types.

### **Governmental Funds**

**General Fund** - A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.

**Special Revenue Fund Types** - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Capital Outlay, Special Education and Pension Funds are the special revenue funds maintained by the School District.

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

**Special Education Fund** - A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the School District. This fund is financed by grants and property taxes. This is a major fund.

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

### **Proprietary Funds**

Enterprise Fund Types - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The following are enterprise funds maintained by the School District:

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.

Preschool Fund – A fund used to record financial transactions related to preschool operations. This fund is financed by user charges. This is a major fund.

### **Fiduciary Funds**

Fiduciary funds are never considered to be major funds.

Agency Fund Types - Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds to hold assets as an agent in a trustee capacity for student funds generated within the School District by the students or other School District organizations.

### **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 statements of activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

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

## **Basis of Accounting**

### **Government-Wide Financial Statements**

In the government-wide statement of net position and statements 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 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 School District, the length of that cycle is 60 days.

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

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

### **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:

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

Fund Financial Statements - Noncurrent portions of long-term interfund receivables are reported as nonspendable fund balance to the extent that the proceeds from collection of those receivables are not restricted, committed, or assigned. Current portions of interfund receivables are considered "available spendable resources" and are reported in the appropriate fund balance category.

### **Inventory**

Inventory is stated at the lower of cost or market. The cost valuation method is first-in, first out (FIFO). Donated commodities are valued at estimated market value based on the USDA price list at date of receipt. In the government-wide financial statements and the proprietary funds in the 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 in the General Fund and special revenue funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a non-spendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The School District did not have any material amounts of inventory in the General Fund or special revenue funds.

**Capital Assets**

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

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

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

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	All land values	N/A	N/A
Buildings and improvements	\$ 10,000	Straight-line	50 years
Machinery and equipment	5,000	Straight-line	5-20 years
Food service assets	500	Straight-line	5-20 years

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.

### **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 only long-term liabilities of the School District are accrued sick leave payable, early retirement, and a capital lease.

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.

### **Program Revenues**

In the government-wide statements 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.

### **Property Taxes**

Property taxes are levied on or before each October 1, attached 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. Approximately 50% is considered to be applied to finance the budget of the current fiscal year, and the remaining 50% is considered to be applied to finance the budget for the subsequent year. 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".

### **Proprietary Funds Revenue and Expense Classifications**

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

In the proprietary fund's statements of revenues, expenses and changes in net position, revenues and expenses are classified in a manner consistent with how they are classified in the statements 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.

### **Cash and Cash Equivalents**

The School District pools its cash resources for deposit purposes. Accordingly, the enterprise fund has access to its cash resources on demand. Accordingly, all reported enterprise fund deposit balances are considered to be cash equivalents for the purpose of the statements of cash flows.

### **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.

### **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.

**Fund Balance Classification Policies and Procedures**

In accordance with GASB No. 54, 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 School District, the School Board, 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 or Business Manager.
- Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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 grant agreements requiring dollar for dollar spending. Additionally, the School District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The government does not have a formal minimum fund balance policy.

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund	Property taxes
Special Education Fund	Grants and property taxes
Pension Fund	Property taxes

**Deferred Outflows and Inflows of Resources**

For the year ended June 30, 2014, the School District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the use of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has two types of items that qualify for reporting in this category. The School District reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

### **Pensions**

For purposes of measuring the net pension liability(asset), deferred outflows/inflows of resources, and pension expense(revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **Implementation of GASB Statement No. 68 and GASB Statement No. 71**

As of July 1, 2014, the School District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 15.

### **Rounding**

Computer generated rounding variances may exist in the basic financial statements and required supplementary information. The variances result from values being entered with cents rather than as whole numbers.

### **Note 2 - Violations of Finance Related Legal and Contractual Provisions**

The School District is prohibited by statute from spending in excess of amounts appropriated. For the year ended June 30, 2015, the School District overspent its appropriations in the Capital Outlay Fund by \$938. For the year ended June 30, 2014, the School District overspent its appropriations in the Capital Outlay Fund by \$4,933. Management will more closely monitor approval of budget appropriations and expenditures and will utilize supplemental budgets as needed to ensure overdrafts do not occur in the future and that supplemental budgets are adopted timely.

**Note 3 - 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% 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. As of June 30, 2015, none of the financial institutions that holds the School District's deposits were properly collateralized.

Deposits are reported at cost plus interest, if the account is of the add-on type.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from investments to the General Fund.

**Concentration of Credit Risk:** The School District places no limit on the amount that the School District may deposit in any one institution.

**Custodial Credit Risk:** Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned. The School District's deposit policy requires deposits in excess of the Depository Insurance maximums to be 100% collateralized as required by South Dakota Codified Law. The financial institutions where the collateral is held must be a member of the FDIC.

The actual bank balances at June 30, 2015 were as follows:

Insured (FDIC/NCUA)	\$ 500,000
Uninsured, collateral jointly held by State's/School District's agent in the name of the State and the pledging State and the pledging financial institution	386,621
	\$ 886,621

The School District's carrying amount of deposits at June 30, 2015 was \$885,952. Reconciliation of deposits to government-wide statement of net position:

Cash and cash equivalents	\$ 878,902
Add: Agency fund cash (not included in government-wide statement of net assets)	<u>7,050</u>
	<u><u>\$ 885,952</u></u>

**Investments**

In general, SDCL 4-5-6 permits School District funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

As of June 30, 2015, the School District did not hold any investments. The School District does not have a formal investment policy that addresses custodial credit risk, interest rate risk, credit risk, or concentration of credit risk.

**Note 4 - Receivables and Payables**

Receivables and payables are aggregated in the government-wide financial statements. However, the fund financial statements present the receivable and payable information in a non-aggregated format. The School District expects all receivables to be collected within one year. Based on the nature of the receivables, no allowances for estimated uncollectible accounts have been established.

**Note 5 - Changes in Capital Assets**

A summary of changes in capital assets for the years ended June 30, 2015 and 2014 is as follows:

Primary Government Governmental Activities	Balance 07/01/14	Increases	Decreases	Balance 06/30/15
Capital assets, not being depreciated:				
Land	\$ 240	\$ -	\$ -	\$ 240
Total capital assets not being depreciated	240	-	-	240
Capital assets being depreciated:				
Improvements other than buildings	39,187	-	-	39,187
Buildings	818,121	-	-	818,121
Machinery and equipment	79,354	-	-	79,354
	936,662	-	-	936,662
Less accumulated depreciation for:				
Improvements other than buildings	4,480	3,951	-	8,431
Buildings	648,855	11,285	-	660,140
Machinery and equipment	63,693	6,792	-	70,485
Total accumulated depreciation	717,028	22,028	-	739,056
Total capital assets being depreciated, net	219,634	(22,028)	-	197,606
Governmental activity capital assets, net	\$ 219,874	\$ (22,028)	\$ -	\$ 197,846
Depreciation expense was charged to functions as follows:				
Governmental activities				\$ 730
Instruction				14,670
Support services				6,628
Cocurricular				22,028
Total depreciation expense - governmental activities				\$ 22,028
Business-Type Activities	Balance 07/01/14	Increases	Decreases	Balance 06/30/15
Capital assets being depreciated:				
Machinery and equipment	\$ 51,301	\$ -	\$ -	\$ 51,301
Total	51,301	-	-	51,301
Less accumulated depreciation for:				
Machinery and equipment	15,816	4,389	-	20,205
Total accumulated depreciation	15,816	4,389	-	20,205
Total capital assets being depreciated, net	35,485	(4,389)	-	31,096
Business-type activities capital assets, net	\$ 35,485	\$ (4,389)	\$ -	\$ 31,096
Depreciation expense was charged to functions as follows:				
Business-type activities:				\$ 4,389
Food services				4,389
Total depreciation expense - business-type activities				\$ 4,389

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Primary Government Governmental Activities	Balance 07/01/13	Increases	Decreases	Balance 06/30/14
Capital assets, not being depreciated:				
Land	\$ 240	\$ -	\$ -	\$ 240
Total capital assets not being depreciated	240	-	-	240
Capital assets being depreciated				
Improvements other than buildings	25,910	13,277	-	39,187
Buildings	818,121	-	-	818,121
Machinery and equipment	69,499	9,855	-	79,354
	913,530	23,132	-	936,662
Less accumulated depreciation for:				
Improvements other than buildings	973	3,507	-	4,480
Buildings	637,571	11,284	-	648,855
Machinery and equipment	53,094	10,599	-	63,693
Total accumulated depreciation	691,638	25,390	-	717,028
Total capital assets, being depreciated, net	221,892	(2,258)	-	219,634
Governmental activity capital assets, net	\$ 222,132	\$ (2,258)	\$ -	\$ 219,874

Depreciation expense was charged to functions as follows:

Governmental activities				\$ 730
Instruction				18,444
Support services				6,216
Cocurricular				-
Total depreciation expense - governmental activities				\$ 25,390

Business-Type Activities	Balance 07/01/13	Increases	Decreases	Balance 06/30/14
Capital assets being depreciated:				
Machinery and equipment	\$ 50,324	\$ 977	\$ -	\$ 51,301
Total	50,324	977	-	51,301
Less accumulated depreciation for:				
Machinery and equipment	11,426	4,390	-	15,816
Total accumulated depreciation	11,426	4,390	-	15,816
Total capital assets being depreciated, net	38,898	(3,413)	-	35,485
Business-type activities capital assets, net	\$ 38,898	\$ (3,413)	\$ -	\$ 35,485

Depreciation expense was charged to functions as follows:

Business-type activities:				\$ 4,390
Food services				-
Total depreciation expense - business-type activities				\$ 4,390

**Note 6 - Long-Term Debt**

A summary of changes in long-term debt follows:

<u>Primary Government:</u>	Beginning Balance 7/1/2013	Additions	Deletions	Ending Balance 6/30/2015	Due Within One Year
Governmental activities					
2013 Xerox Copier Lease	\$ -	\$ 9,855	\$ 2,776	\$ 7,079	\$ 1,934
Early Retirement	19,600	-	14,700	4,900	4,200
Accrued sick leave	12,713	-	865	11,848	11,848
	<u>\$ 32,313</u>	<u>\$ 9,855</u>	<u>\$ 18,341</u>	<u>\$ 23,827</u>	<u>\$ 17,982</u>

No anticipated reduction in accrued sick leave is foreseen for the next year. This accrual is typically liquidated from the General Fund and the special education fund. Early retirement benefits payable for governmental activities has typically been liquidated from the Pension Fund.

The purchase price at the commencement of the capital lease was:

Principal	\$ 9,855
Interest	912
	<u>\$ 10,767</u>

Debt payable as of June 30, 2015 is comprised of the following item:

2013 Xerox Copier Lease	
Copier lease with Xerox, 3.539% interest rate, monthly payments of \$179.45 paid from the Capital Outlay fund; Final payment December 2018	\$ 7,079
Early Retirement	
Requires monthly payments that amount to no more than \$9,800 on an annual basis from the Pension Fund; final payment August 2015	4,900
	<u>\$ 11,979</u>

The annual requirements to maturity for all debt outstanding for governmental activities as of June 30, 2015, excluding accrued sick leave, is as follows:

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Year Ending June 30,	2013 Xerox Copier Lease		Early Retirement		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,934	\$ 219	\$ 4,200	\$ -	\$ 6,134	\$ 219
2017	2,004	150	700	-	2,704	150
2018	2,075	78	-	-	2,075	78
2019	1,066	11	-	-	1,066	11
	<u>\$ 7,079</u>	<u>\$ 458</u>	<u>\$ 4,900</u>	<u>\$ -</u>	<u>\$ 11,979</u>	<u>\$ 458</u>

**Note 7 - Restricted Net Position**

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

Purpose	Restricted By	Amount
Capital Outlay	Law	\$ 94,656
Special Education	Law	103,554
Pension Fund purposes	Law	87,753
SDRS pension purposes	Law	223,117
Total restricted net assets		<u>\$ 509,080</u>

**Note 8 - Early Retirement Plan**

The School District has adopted a policy whereby teachers between the ages of 55 and 64 that have been employed with the School District for a minimum of 15 years are eligible for early retirement. This benefit entails an eligible retiree to be entitled to a sum equal to the School District contribution to a single insurance policy per month. This shall be paid to the retiree beginning in September of the school year immediately following the effective retirement date and continuing through the August of the school year in which the retiree reaches age of Medicare eligibility, at which time the payments will cease. These payments shall be made on regularly scheduled paydays. Any teacher employed by the School District will have the option of carrying the School District group health insurance for him/herself and/or his/her spouse, with the premium being paid by the retiree and/or participating spouse until the retiree and/or participating spouse reach the age of Medicare eligibility. Arrangements may be made with the Business Manager to apply the cash benefit to insurance. For the fiscal years ending June 30, 2015 and 2014, the retirees participating in this plan have chosen to have this benefit applied to the retiree health insurance premium. Part-time employees' benefits will be prorated based on the formula above.

**Note 9 - Risk Management**

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

### **Liability Insurance**

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

### **Employee Health Insurance**

The School District purchases health insurance for its employees from a commercial carrier.

### **Worker's Compensation Insurance**

The School District participates, with several other educational units and related organizations in South Dakota, in the Association of School Boards Worker's Compensation Fund Pool which provided worker's compensation insurance coverage for participating members of the pool. The School District is responsible for payment of a premium to the insurance pool along with other pool participants. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees 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 risk retention and through insurance coverage purchased by the pool in excess of the retained risk. For the two years ended June 30, 2015, the pool's retained risk was \$500,000 per occurrence with additional insurance purchased from a private insurance company for an additional \$500,000 for total coverage of \$1,000,000 per occurrence. There was no additional assessment charged to the pool members for the years ended June 30, 2015 and 2014.

### **Unemployment Benefits**

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

During the two years 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 10 - Postemployment Healthcare Plan**

### **Plan Description**

Big Stone City School District Healthcare Plan is a single-employer defined benefit healthcare plan administered by the School District. The plan provides medical insurance benefits to eligible retirees and their spouses as permitted by South Dakota Codified Law 6-1-16 and 13-10-3. Benefit provisions were established and may be amended during the negotiated agreement process between School District certified staff and the governing board. The health plan does not issue separately stated stand-alone financial statements.

**Funding Policy**

The contribution requirements of plan members and the School District are established and may be amended during the negotiated agreement process between School District certified staff and the governing board. A teacher or administrator, who retires from the School District on or after the age of 55 and with at least 15 years of consecutive service with the School District, may be eligible for retiree health insurance coverage. Coverage ceases when the retiree attains the age of 65. The retiree is not responsible for any of the full active premium rates for single party coverage and if two party coverage is received, the retiree is responsible for the difference between the full active premium rates of single party and two party coverage.

**Annual OPEB Cost and Net OPEB Obligation**

The School District's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB accounting Standards Codification Topic ASC (previously GASB Statement 45). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the financial components of the plan:

	2015	2014
Annual required contribution (ARC)	\$ 1,480	\$ 2,900
Interest on net OPEB obligation	(757)	(710)
Adjustment to annual required contribution	1,251	1,173
Annual OPEB cost	1,974	3,363
Contributions made	(8,455)	(4,939)
Increase in net Prepaid OPEB obligation	(6,481)	(1,576)
Net Prepaid OPEB obligation - beginning of year	(25,248)	(23,672)
Net Prepaid OPEB obligation - end of year	\$ (31,729)	\$ (25,248)

The School District's annual OPEB cost data and net OPEB obligation was as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Prepaid Obligation
2015	\$ 1,974	428.3%	\$ (31,729)
2014	3,363	146.9%	(25,248)
2013	2,638	224.2%	(23,672)

### **Funded Status and Funding Process**

As of June 30, 2015, the plan's actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was \$11,470. The School District's plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on a cash basis. Because the plan is unfunded, the AAL and UAAL are equal. The covered payroll (annual payroll of active employees covered by the plan) and the UAAL to the covered payroll were not applicable.

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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### **Actuarial Methods and Assumptions**

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

In the June 30, 2015, actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a 5% discount rate assuming the School District will fund the retirement benefit on a pay-as-you-go basis. The valuation assumes that 25% of eligible retirees will actually participate in the retiree medical benefit and 30% of their spouses will participate. The annual healthcare cost trend rate of 5.95% initially, increasing and decreasing per year until reaching an ultimate rate of 5.4%. The UAAL is being amortized as a level percentage of projected payrolls over a thirty year time period.

## **Note 11 - Pension Plan**

### **Plan Information**

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor 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 South Dakota Codified Law 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, PO 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% prior to 2008 and 1.55% 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% for service prior to 2008 and 2.0% thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733% for service prior to 2008 and 3.333% thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

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

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

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

**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 ending June 30, 2015, 2014 and 2013 were \$48,792, \$48,843 and \$48,289, respectively, equal to the required contributions each year.

**Pension Assets, Pension Revenue, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions**

At June 30, 2014, SDRS is 107% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of SDRS, for the School District as of June 30, 2015 are as follows:

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Proportionate share of net position restricted for pension benefits	\$ 4,937,901
Less proportionate share of total pension liability	<u>4,602,522</u>
Proportionate share of net pension asset	<u>\$ 335,379</u>

The net pension asset was measured as of June 30, 2014 and the total pension liability used to calculate the net pension asset was determined by actuarial valuation as of that date. At June 30, 2015, the School District reported an asset of \$335,379 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015 and the total pension asset used to calculate the net pension asset was based on a projection of the School District'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 0.0465508%.

For the year ended June 30, 2015, the School District recognized pension revenue of \$14,166. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 28,378	\$ -
Changes in assumption	218,926	-
Net difference between projected and actual earnings on pension plan investments	-	388,426
Changes in proportion and difference between School District contributions and proportionate share of contributions	-	-
School District contributions subsequent to the measurement date	<u>48,792</u>	<u>-</u>
	<u>\$ 296,096</u>	<u>\$ 388,426</u>

There is \$48,792 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 revenue as follows:

Year Ended June 30:	Amount
2016	\$ (26,649)
2017	(26,649)
2018	(26,649)
2019	<u>(61,175)</u>
	<u>\$ (141,122)</u>

**Actuarial Assumptions**

The total pension 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%
Salary increases	5.83% at entry to 3.87% after 30 years of service
Investment rate of return	7.25% through 2016 and 7.50% thereafter, net of pension plan investment expense

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

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 weighting 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	61.0%	4.7%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.5%
Cash	2.0%	0.8%
	<u>100.0%</u>	

**Discount Rate**

The discount rate used to measure the total pension asset was 7.25% 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 asset.

**Sensitivity of Asset to Changes in the Discount Rate**

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

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of The net pension asset	\$ (331,418)	\$ 335,379	\$ 879,222

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.

**Pension Plan Fiduciary Net Position**

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

**Note 12 - Interfund Transactions**

During the years ended June 30, 2015 and 2014, the General Fund transferred to the Food Service Fund \$4,000 and \$600, and the Preschool Fund \$0 and \$23,428, respectively, to cover operating deficits of these funds.

As of June 30, 2015, the General Fund has a "Due from other funds" for amounts loaned by the General Fund to the Capital Outlay Fund. The balance of this arrangement was \$3,230 and \$1,077 as of June 30, 2015 and 2014, respectively. This amounts is reflected as "Due to the general fund" on the statements for Capital Outlay Fund.

**Note 13 - Litigation**

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

**Note 14 - Related Party**

In the ordinary course of business, the School District hired companies in which School Board members' spouses were the owners of the entities. The businesses were hired based on their proximity to the school. Total purchases from these businesses for the years ended June 30, 2015 and 2014 were \$2,303 and \$2,879, respectively.

**Note 15 - Restatement of Beginning Net Position**

As of July 1, 2014, the School District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date as follows:

	Governmental Activities	Business-Type Activities	Total
Net position at June 30, 2014, as previously stated	\$ 957,165	\$ 33,191	\$ 990,356
Net pension asset at June 30, 2014	120,748	10,500	131,248
Deferred outflows of resources related to contributions made during the year ended June 30, 2014	44,936	3,908	48,844
Net position at July 1, 2014, as restated	\$ 1,122,849	\$ 47,599	\$ 1,170,448



Required Supplementary Information  
June 30, 2015 and 2014

## Big Stone City School District 25-1

Big Stone City School District 25-1  
 Schedule of Funding Progress  
 Year Ended June 30, 2015

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability 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)
June 30, 2015	\$ -	\$ 11,470	\$ 11,470	0.00%	N/A	N/A
June 30, 2013	-	23,468	23,468	0.00%	N/A	N/A
June 30, 2011	-	32,462	32,462	0.00%	N/A	N/A

Big Stone City School District 25-1  
 Budgetary Comparison Schedules – Budgetary Basis – General Fund  
 Years Ended June 30, 2015 and 2014

	2015			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
<b>Revenues</b>				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 624,855	\$ 624,855	\$ 668,766	\$ 43,911
Prior year's ad valorem taxes	3,500	3,500	8,519	5,019
Gross receipts taxes	11,383	11,383	9,099	(2,284)
Penalties and interest on taxes	6,100	6,100	3,581	(2,519)
Tuition and fees:				
Regular day school tuition	160,417	160,417	172,305	11,888
Earnings on investments and deposits	2,160	2,160	12,487	10,327
Cocurricular activities:				
Other pupil activity income	300	300	450	150
Other revenue from local sources:				
Rentals	50	50	790	740
Contributions and donations	2,096	2,096	3,543	1,447
Services provided other LEAs	-	-	25,300	25,300
Refund of prior period expenditures	800	800	-	(800)
Charges for services	5,000	5,000	2,126	(2,874)
Other	2,450	2,450	30,324	27,874
Revenue from intermediate sources				
County sources:				
County apportionment	2,200	2,200	6,464	4,264
Revenue in lieu of taxes	100	100	260	160
Revenue from State sources				
Grants-in-aid:				
Unrestricted grants-in-aid	233,661	233,661	204,874	(28,787)
Other state revenue	1,100	1,100	-	(1,100)
Revenue from Federal sources				
Grants-in-aid:				
Restricted grants-in-aid received from Federal government through the State	58,433	58,433	54,190	(4,243)
Total revenues	<u>1,114,605</u>	<u>1,114,605</u>	<u>1,203,078</u>	<u>88,473</u>
<b>Expenditures</b>				
Instruction				
Regular programs:				
Elementary	317,900	358,100	352,579	5,521
Middle/junior high	154,644	158,744	147,864	10,880
Special programs:				
Educationally deprived	40,207	40,255	39,833	422
Other	263,141	281,366	275,073	6,293
Support services				
Pupils:				
Guidance	39,786	40,191	39,800	391
Support services - instructional staff:				
Improvement of instruction	8,683	17,072	15,437	1,635
Educational media	21,052	24,431	20,656	3,775
Support services - general administration:				
Board of Education	4,994	5,540	4,418	1,122
Support services - school administration:				
Office of the Principal	77,194	77,559	72,629	4,930
Other	255	255	53	202

Big Stone City School District 25-1  
 Budgetary Comparison Schedules – Budgetary Basis – General Fund  
 Years Ended June 30, 2015 and 2014

	2015			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Support services - business:				
Fiscal services	66,260	84,492	84,160	332
Operation and maintenance of plant	87,535	98,194	100,087	(1,893)
Pupil transportation	40,646	43,783	42,757	1,026
Community services				
Welfare activities	1,886	1,886	619	1,267
Cocurricular activities				
Combined activities	13,032	17,803	17,183	620
Contingencies	2,000	2,000	-	2,000
Total expenditures	<u>1,139,215</u>	<u>1,251,671</u>	<u>1,213,148</u>	<u>38,523</u>
Excess of Revenue over (under) Expenditures	<u>(24,610)</u>	<u>(137,066)</u>	<u>(10,070)</u>	<u>126,996</u>
Other Financing Sources (uses)				
Transfers out	-	(4,000)	(4,000)	-
Net Change in Fund Balances	(24,610)	(141,066)	(14,070)	126,996
Fund Balance - Beginning	478,171	478,171	478,171	-
Fund Balance - Ending	<u>\$ 453,561</u>	<u>\$ 337,105</u>	<u>\$ 464,101</u>	<u>\$ 126,996</u>

Big Stone City School District 25-1  
 Budgetary Comparison Schedules – Budgetary Basis – General Fund  
 Years Ended June 30, 2015 and 2014

	2014			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
<b>Revenues</b>				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 628,619	\$ 628,619	\$ 615,265	\$ (13,354)
Prior years' ad valorem taxes	4,000	4,000	5,169	1,169
Gross receipts taxes	10,000	10,000	19,775	9,775
Penalties and interest on taxes	6,000	6,000	5,164	(836)
Tuition and fees:				
Regular day school tuition	139,322	139,322	156,057	16,735
Earnings on investments and deposits	9,000	9,000	5,479	(3,521)
Cocurricular activities:				
Other pupil activity income	400	400	336	(64)
Other revenue from local sources:				
Rentals	100	100	550	450
Contributions and donations	310	310	1,441	1,131
Refund of prior years' expenditures	800	800	1,644	844
Charges for services	5,000	5,000	7,183	2,183
Other	6,060	6,060	14,336	8,276
Revenue from intermediate sources				
County sources:				
County apportionment	2,500	2,500	3,229	729
Revenue in lieu of taxes	-	-	138	138
Revenue from State sources				
Grants-in-aid:				
Unrestricted grants-in-aid	240,378	240,378	243,579	3,201
Other state revenue			1,344	1,344
Revenue from Federal sources				
Grants-in-aid:				
Restricted grants-in-aid received from Federal government through the State	47,826	47,826	54,397	6,571
Total revenues	<u>1,100,315</u>	<u>1,100,315</u>	<u>1,135,086</u>	<u>34,771</u>
<b>Expenditures</b>				
Instruction				
Regular programs:				
Elementary	322,745	341,881	316,591	25,290
Middle/junior high	146,836	153,094	147,677	5,417
Special programs:				
Educationally deprived	58,885	59,628	54,149	5,479
Tuition	262,942	270,412	261,828	8,584
Support services				
Pupils:				
Guidance	38,718	38,984	38,658	326
Support services - instructional staff:				
Improvement of instruction	-	10,610	13,670	(3,060)
Educational media	21,037	23,060	22,397	663
Support services - general administration:				
Board of Education	19,584	19,835	19,388	447
Support services - school administration:				
Office of the Principal	75,107	75,732	71,474	4,258
Other school administration	263	263	237	26
Support services - business:				
Fiscal services	63,967	64,409	62,538	1,871
Operation and maintenance of plant	82,808	96,251	95,231	1,020
Pupil transportation	42,166	42,355	41,082	1,273

Big Stone City School District 25-1  
 Budgetary Comparison Schedules – Budgetary Basis – General Fund  
 Years Ended June 30, 2015 and 2014

	2014			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive Negative
Community services				
Other community services	\$ 3,000	\$ 3,000	\$ 2,363	\$ 637
Cocurricular activities				
Combined activities	13,577	15,400	14,659	741
Contingencies	<u>2,850</u>	<u>2,850</u>	<u>-</u>	<u>2,850</u>
Total expenditures	<u>1,154,485</u>	<u>1,217,764</u>	<u>1,161,942</u>	<u>55,822</u>
Excess of Revenue over (under) Expenditures	<u>(54,170)</u>	<u>(117,449)</u>	<u>(26,856)</u>	<u>90,593</u>
Other Financing Sources (Uses)				
Transfers out	<u>-</u>	<u>(24,028)</u>	<u>(24,028)</u>	<u>-</u>
Net Change in Fund Balances	(54,170)	(141,477)	(50,884)	90,593
Fund Balance - Beginning	<u>529,055</u>	<u>529,055</u>	<u>529,055</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 474,885</u>	<u>\$ 387,578</u>	<u>\$ 478,171</u>	<u>\$ 90,593</u>

Big Stone City School District 25-1  
 Budgetary Comparison Schedules – Budgetary Basis – Capital Outlay Fund  
 Years Ended June 30, 2015 and 2014

	2015			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
<b>Revenues</b>				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 60,500	\$ 60,100	\$ 68,633	\$ 8,533
Prior year's ad valorem taxes	300	300	999	699
Penalties and interest on taxes	150	150	168	18
Total revenues	<u>60,950</u>	<u>60,550</u>	<u>69,800</u>	<u>9,250</u>
<b>Expenditures</b>				
Instruction				
Regular programs:				
Elementary	3,887	3,887	1,163	2,724
Support services - business:				
Operation and maintenance of plant	48,099	48,099	49,608	(1,509)
Debt service	-	-	2,153	(2,153)
Total expenditures	<u>51,986</u>	<u>51,986</u>	<u>52,924</u>	<u>(938)</u>
Net Change in Fund Balance	8,964	8,564	16,876	8,312
Adjusted Fund Balance - Beginning	<u>76,942</u>	<u>76,942</u>	<u>76,942</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 85,906</u>	<u>\$ 85,506</u>	<u>\$ 93,818</u>	<u>\$ 8,312</u>

Big Stone City School District 25-1  
 Budgetary Comparison Schedules – Budgetary Basis – Capital Outlay Fund  
 Years Ended June 30, 2015 and 2014

	2014			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
<b>Revenues</b>				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 60,278	\$ 60,278	\$ 60,536	\$ 258
Prior year's ad valorem taxes	300	300	465	165
Penalties and interest on taxes	150	150	120	(30)
Other revenue from local sources:				
Other	10	10	-	(10)
Revenue from Federal sources				
Grants-in-aid:				
Restricted grants-in-aid received from Federal government through the state	-	-	12,000	12,000
<b>Total revenues</b>	<b>60,738</b>	<b>60,738</b>	<b>73,121</b>	<b>12,383</b>
<b>Expenditures</b>				
Instruction				
Regular programs:				
Elementary	24,200	24,200	28,441	(4,241)
Middle/junior high	4,800	4,800	6,444	(1,644)
Support services				
Operation and maintenance of plant	31,738	46,326	43,320	3,006
Food services	-	-	977	(977)
Debt service	-	-	1,077	(1,077)
<b>Total expenditures</b>	<b>60,738</b>	<b>75,326</b>	<b>80,259</b>	<b>(4,933)</b>
Excess of Revenue over (under) Expenditures	-	(14,588)	(7,138)	7,450
Other Financing Sources (Uses)				
Capital lease	-	-	9,855	9,855
Net Change in Fund Balance	-	(14,588)	2,717	17,305
Fund Balance - Beginning	74,225	74,225	74,225	-
Fund Balance - Ending	<b>\$ 74,225</b>	<b>\$ 59,637</b>	<b>\$ 76,942</b>	<b>\$ 17,305</b>

Big Stone City School District 25-1  
 Budgetary Comparison Schedules – Budgetary Basis – Special Education Fund  
 Years Ended June 30, 2015 and 2014

	2015			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
<b>Revenues</b>				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 88,809	\$ 88,809	\$ 97,721	\$ 8,912
Prior year's ad valorem taxes	450	450	1,352	902
Penalties and interest on taxes	150	150	220	70
Tuition and fees:				
Regular day school tuition	45,000	45,000	61,370	16,370
Other revenue from local sources (uses):				
Charges for services	400	400	122	(278)
Other	-	-	785	785
Revenue from State sources				
Grants-in-aid:				
Restricted grants-in-aid	22,490	22,490	17,730	(4,760)
Revenue from Federal sources				
Grants-in-aid:				
Restricted grants-in-aid received from Federal government through the State	21,961	21,961	21,810	(151)
Total revenues	<u>179,260</u>	<u>179,260</u>	<u>201,110</u>	<u>21,850</u>
<b>Expenditures</b>				
Instruction				
Special programs:				
Programs for special education	136,183	159,575	147,322	12,253
Support services				
Pupils:				
Psychological	3,000	3,000	900	2,100
Speech pathology	33,935	33,935	33,318	617
Student therapy services	10,000	10,000	6,881	3,119
Total expenditures	<u>183,118</u>	<u>206,510</u>	<u>188,421</u>	<u>18,089</u>
Net Change in Fund Balance	(3,858)	(27,250)	12,689	39,939
Fund Balance - Beginning	<u>89,676</u>	<u>89,676</u>	<u>89,676</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 85,818</u>	<u>\$ 62,426</u>	<u>\$ 102,365</u>	<u>\$ 39,939</u>

Big Stone City School District 25-1  
 Budgetary Comparison Schedules – Budgetary Basis – Special Education Fund  
 Years Ended June 30, 2015 and 2014

	2014			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
<b>Revenues</b>				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 86,394	\$ 86,394	\$ 90,207	\$ 3,813
Prior year's ad valorem taxes	600	600	601	1
Penalties and interest on taxes	150	150	160	10
Tuition and fees	68,280	68,280	59,371	(8,909)
Other revenue from local sources (uses):				
Charges for services	300	300	410	110
Other	300	300	300	-
Revenue from State sources				
Grants-in-aid:				
Restricted grants-in-aid	31,069	31,069	30,036	(1,033)
Revenue from Federal sources				
Grants-in-aid:				
Restricted grants-in-aid received from Federal government through the State	22,006	22,006	21,395	(611)
Total revenues	<u>209,099</u>	<u>209,099</u>	<u>202,480</u>	<u>(6,619)</u>
<b>Expenditures</b>				
Instruction				
Special programs:				
Programs for special education	178,960	187,769	143,712	44,057
Support services				
Pupils:				
Psychological	3,000	3,000	2,074	926
Speech pathology	32,065	33,681	33,548	133
Student therapy services	11,000	11,000	4,278	6,722
Total expenditures	<u>225,025</u>	<u>235,450</u>	<u>183,612</u>	<u>51,838</u>
Net Change in Fund Balance	(15,926)	(26,351)	18,868	45,219
Fund Balance - Beginning	<u>70,808</u>	<u>70,808</u>	<u>70,808</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 54,882</u>	<u>\$ 44,457</u>	<u>\$ 89,676</u>	<u>\$ 45,219</u>

Big Stone City School District 25-1  
 Budgetary Comparison Schedules – Budgetary Basis – Pension Fund  
 Years Ended June 30, 2015 and 2014

	2015			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 17,592	\$ 17,592	\$ 19,976	\$ 2,384
Prior year's ad valorem taxes	50	50	262	212
Penalties and interest on taxes	50	50	42	(8)
Total revenues	<u>17,692</u>	<u>17,692</u>	<u>20,280</u>	<u>2,588</u>
Expenditures				
Instruction				
Regular programs:				
Elementary	13,492	13,492	12,676	816
Nonprogrammed charges				
Early retirement payments	4,200	6,917	6,917	-
Total expenditures	<u>17,692</u>	<u>20,409</u>	<u>19,593</u>	<u>816</u>
Net Change in Fund Balance	-	(2,717)	687	3,404
Fund Balance - Beginning	<u>86,827</u>	<u>86,827</u>	<u>86,827</u>	-
Fund Balance - Ending	<u>\$ 86,827</u>	<u>\$ 84,110</u>	<u>\$ 87,514</u>	<u>\$ 3,404</u>

Big Stone City School District 25-1  
 Budgetary Comparison Schedules – Budgetary Basis – Pension Fund  
 Years Ended June 30, 2015 and 2014

	2014			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 17,538	\$ 17,538	\$ 18,017	\$ 479
Prior year's ad valorem taxes	50	50	118	68
Penalties and interest on taxes	50	50	30	(20)
Total revenues	<u>17,638</u>	<u>17,638</u>	<u>18,165</u>	<u>527</u>
Expenditures				
Instruction				
Regular programs:				
Elementary	-	14,000	14,000	-
Nonprogrammed charges				
Early retirement payments	17,638	17,783	13,360	4,423
Total expenditures	<u>17,638</u>	<u>31,783</u>	<u>27,360</u>	<u>4,423</u>
Net Change in Fund Balance	-	(14,145)	(9,195)	4,950
Fund Balance - Beginning	<u>96,022</u>	<u>96,022</u>	<u>96,022</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 96,022</u>	<u>\$ 81,877</u>	<u>\$ 86,827</u>	<u>\$ 4,950</u>

**Note 1 - Basis of Presentation**

The budgetary comparison schedules have been prepared on the modified accrual basis of accounting. The budgetary comparison schedules present expenditures for capital outlay purposes within each function while the governmental funds statements of revenues, expenditures and changes in fund balance presents Capital Outlay expenditures as a separate function.

**Note 2 - Budgetary Legal Requirements**

**Budgets and Budgetary Accounting**

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

1. Prior to the first regular Board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
6. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in Number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% of the total School District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
8. If it is determined during the year that sufficient amounts have not been budgeted, State statute allows adoption of supplemental budgets when moneys are available to increase legal spending School District.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Capital Project Funds and Special Revenue Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

Big Stone City School District 25-1  
 Schedule of Net Pension Liability (Asset)  
 June 30, 2015

<u>Pension Plan</u>	<u>Fiscal Year Ending</u>	<u>Employer's Percentage of the Net Pension Asset</u>	<u>Employer's Proportionate Share of the Net Pension Asset (a)</u>	<u>Employer's Covered- Employee Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Asset as a Percentage of its Covered- Employee Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
SDRS	6/30/2014	<u>0.0466%</u>	<u>\$ 335,379</u>	<u>\$ 813,200</u>	<u>41.2%</u>	<u>107.3%</u>

Big Stone City School District 25-1  
 Schedule of Pension Contributions  
 June 30, 2015

<u>Pension Plan</u>	<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered- Employee Payroll (d)</u>	<u>Contributions as a Percentage of Covered- Employee Payroll (b/d)</u>
SDRS	6/30/2015	\$ 48,792	\$ 48,792	-	\$ 813,200	6.0%

**Notes to Required Supplementary Information**

There are no factors that affect trends in the amounts reported, such as change of benefit terms and assumptions. With only one year reported in the RSI, there is no additional information to include in notes. Details, if necessary, can be obtained from the SDRS audited financial statements.



CPAs & BUSINESS ADVISORS

**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***

The School Board  
Big Stone City School District 25-1  
Big Stone City, 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 Big Stone City School District 25-1 (the School District) as of June 30, 2015 and for each of the years in the two year period 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 November 10, 2015.

**Internal Control over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying auditor's comments, we identified certain deficiencies in internal control that we consider to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying auditor's comments as items 2015-A through 2015-C to be material weaknesses.

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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which is described in the accompanying auditor's comments as item 2015-C.

**Response to Findings**

The School District's response to the findings identified in our audit is described in the accompanying auditor's comments. 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 entity'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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Aberdeen, South Dakota  
November 10, 2015

**Status of Prior Auditor Comments**

**Finding 2013-A**

There was a lack of internal control in the preparation of the financial statements, the related notes and significant journal entries that may result in a misstatement of the School District's financial statements.

Current Status: This has not been corrected and is restated as current audit findings 2015-A.

**Finding 2013-B Recording of Transactions**

There was a lack of segregation of duties that may result in internal control over financial reporting and compliance to be inadequate.

Current Status: This has not been corrected and is restated as current audit findings 2015-B.

**Finding 2013-C Overspending Budget School District**

The School District overspent its budget for a certain fund in the prior years audited.

Current Status: This has not been corrected and is restated as current audit findings 2015-C.

## **Current Audit Findings and Recommendations**

### **2015-A Preparation of Financial Statements and Footnotes and Significant Journal Entries, Including a Restatement and GASB 68 Calculations**

**Condition:** Big Stone City School District 25-1 requested the external auditors to assist in the preparation of the financial statements and related notes for the two years ended June 30, 2015. As part of the financial statement preparation process, at times we propose material audit adjustments that are not identified as a result of the School District's existing internal controls and; therefore, could result in a misstatement of the School District's financial statements. We were also requested to assist in calculations related to GASB 68.

**Criteria:** The School District's internal control structure should be designed to provide for the preparation of the financial statements and footnotes, which includes having an adequate system for recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

**Cause:** The limited size of the School District's staff and resources cause the inability to prepare the financial statements and footnotes and could cause the need for auditors to, at times, propose material journal entries.

**Effect:** This condition may affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

**Recommendation:** This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Also, a thorough review of the transactions in each fund should take place prior to the beginning of the audit, to ensure generally accepted accounting principles have been followed for each fund type, especially for transaction types infrequent in occurrence.

**Management's Response:** Management accepts the risk associated with preparation of the final audited financial statements by the independent auditor.

### **2015-B Lack of Segregation of Duties**

**Condition:** Big Stone City School District 25-1 has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in revenue, expenditures and payroll functions because of a lack of segregation of duties.

**Criteria:** A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

**Cause:** The School District has insufficient number of staff to adequately separate duties.

**Effect:** This condition increases the risk that fraud or errors might occur in the financial reporting process and not be detected and corrected on a timely basis.

Recommendation: Although it is recognized that number of office staff may not be sufficient to permit an adequate segregation of duties in all respects, it is important that management and those charged with governance be aware of this condition. We recommend that the School Board exercise adequate oversight of the accounting function.

Management's Response: Management accepts the risk associated with lack of segregation of duties in the School District.

**2015-C Overspending Budget School District**

Condition: Big Stone City School District 25-1 overspent its budget authority for the Capital Outlay Fund by \$938 for the year ended June 30, 2015. The School District also overspent its budget authority for the Capital Outlay Fund by \$4,933 for the year ended June 30, 2014.

Criteria: SDCL 13-11-2 requires the School District to prepare budgets for each school year by fund. Total expenditures in the above funds exceeded the appropriations identified under this budget process.

Cause: The School District purchased a new copier using a capital lease and did not have this previously budgeted in the financial statements. The adjustment for this copier was require for as part of the audit process and caused the capital outlay budget to be overspent.

Effect: The budgeting process provides an oversight of the School District's annual expenditures. By not closely monitoring expenditures in relation to the budget, this control measure was not fully utilized.

Recommendation: We recommend the Business Manager and School Board more closely monitor expenditures in relation to the adopted budget and adopt supplemental budgets whenever the original budget appears to be insufficient in amount to cover the expenditures of a given fund in a given year.

Management's Response: The School Board and Business Manager will take steps to ensure that supplemental budget amendments are adopted whenever the need arises.