



Financial Statements
June 30, 2015

Britton-Hecla School District 45-4

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the School Board
Britton-Hecla School District 45-4
Britton, 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 Britton-Hecla School District 45-4 (the School District) as of and for the year ended June 30, 2015, 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 the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

As discussed in Notes 1 and 14 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. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the net pension liability (asset), pension contribution and budgetary comparison information on pages 38 through 46 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 February 29, 2016 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed address and date.

Aberdeen, South Dakota
February 29, 2016

Britton-Hecla School District 45-4

Statement of Net Position

June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 8,397,910	\$ 76,572	\$ 8,474,482
Taxes receivable	1,548,888	-	1,548,888
Accounts receivable	148,636	-	148,636
Due from state	7,834	20,712	28,546
Inventories	-	6,972	6,972
Net pension asset	955,101	29,200	984,301
Capital assets:			
Land and construction in process	1,234,141	-	1,234,141
Other capital assets, net of depreciation	5,113,760	24,766	5,138,526
Total assets	<u>17,406,270</u>	<u>158,222</u>	<u>17,564,492</u>
Deferred Outflows of Resources			
Pension related deferred outflows	839,019	25,555	864,574
	<u>\$ 18,245,289</u>	<u>\$ 183,777</u>	<u>\$ 18,429,066</u>
Liabilities			
Accounts payable	\$ 420,908	\$ 16,460	\$ 437,368
Other current liabilities	359,730	1,759	361,489
Unearned revenue	-	4,012	4,012
Noncurrent liabilities:			
Due within one year	575,009	-	575,009
Due in more than one year	7,692,636	-	7,692,636
Total liabilities	<u>9,048,283</u>	<u>22,231</u>	<u>9,070,514</u>
Deferred Inflows of Resources			
Pension related deferred inflows	1,106,169	33,818	1,139,987
Taxes levied for future period	1,657,522	-	1,657,522
Total deferred inflows of resources	<u>2,763,691</u>	<u>33,818</u>	<u>2,797,509</u>
Net Position			
Net investment in capital assets	3,837,947	24,766	3,862,713
Restricted for:			
Capital Outlay	488,264	-	488,264
Special Education	265,553	-	265,553
Pension	600,791	-	600,791
SDRS Benefits	687,951	20,937	708,888
Unrestricted	552,809	82,025	634,834
Total net position	<u>6,433,315</u>	<u>127,728</u>	<u>6,561,043</u>
	<u>\$ 18,245,289</u>	<u>\$ 183,777</u>	<u>\$ 18,429,066</u>

Britton-Hecla School District 45-4

Statement of Activities

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government						
Governmental activities:						
Instruction	\$ 2,224,275	\$ -	\$ 185,366	\$ (2,038,909)	\$ -	\$ (2,038,909)
Support services	1,429,084	-	-	(1,429,084)	-	(1,429,084)
*Interest on long-term debt	234,299	-	-	(234,299)	-	(234,299)
Cocurricular activities	312,000	38,123	-	(273,877)	-	(273,877)
Total governmental activities	<u>4,199,658</u>	<u>38,123</u>	<u>185,366</u>	<u>(3,976,169)</u>	<u>-</u>	<u>(3,976,169)</u>
Business-type activities:						
Food service	258,271	92,629	190,513	-	24,871	24,871
Other	16,928	13,702	-	-	(3,226)	(3,226)
Total business-type activities	<u>275,199</u>	<u>106,331</u>	<u>190,513</u>	<u>-</u>	<u>21,645</u>	<u>21,645</u>
Total primary government	<u>\$ 4,474,857</u>	<u>\$ 144,454</u>	<u>\$ 375,879</u>	<u>(3,976,169)</u>	<u>21,645</u>	<u>(3,954,524)</u>
General Revenues						
Taxes:						
Property taxes				3,204,844	-	3,204,844
Other taxes				248,257	-	248,257
Revenue from state sources:						
State aid				799,209	-	799,209
Unrestricted investment earnings				933	20	953
Other general revenues				160,784	-	160,784
Total general revenues				<u>4,414,027</u>	<u>20</u>	<u>4,414,047</u>
Change in Net Position				<u>437,858</u>	<u>21,665</u>	<u>459,523</u>
Net Position - Beginning, as Previously Stated				5,482,590	90,383	5,572,973
Change in Reporting, GASB 68 (See Note 14)				<u>512,867</u>	<u>15,680</u>	<u>528,547</u>
Net Position - Beginning, as Restated				<u>5,995,457</u>	<u>106,063</u>	<u>6,101,520</u>
Net Position - Ending				<u>\$ 6,433,315</u>	<u>\$ 127,728</u>	<u>\$ 6,561,043</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.

Britton-Hecla School District 45-4
Balance Sheet – Governmental Funds
June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Capital Projects Fund	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 1,242,593	\$ 524,395	\$ 316,700	\$ 605,635	\$ 5,708,587	\$ 8,397,910
Taxes receivable - current	777,672	448,348	233,183	70,222	-	1,529,425
Taxes receivable - delinquent	11,724	4,885	2,090	764	-	19,463
Accounts receivable	145,200	-	3,436	-	-	148,636
Due from state government	7,834	-	-	-	-	7,834
	<u>\$ 2,185,023</u>	<u>\$ 977,628</u>	<u>\$ 555,409</u>	<u>\$ 676,621</u>	<u>\$ 5,708,587</u>	<u>\$ 10,103,268</u>
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts payable	\$ 20,364	\$ 5,200	\$ 1,660	\$ -	\$ 393,684	\$ 420,908
Contracts payable	267,901	-	29,643	-	-	297,544
Payroll deductions and withholdings and employer matching payable	55,444	-	6,742	-	-	62,186
Total liabilities	<u>343,709</u>	<u>5,200</u>	<u>38,045</u>	<u>-</u>	<u>393,684</u>	<u>780,638</u>
Deferred Inflows of Resources						
Taxes levied for future period	845,717	484,164	251,811	75,830	-	1,657,522
Unavailable revenue-utility taxes	118,651	-	-	-	-	118,651
Unavailable revenue-delinquent property taxes	11,724	4,885	2,090	764	-	19,463
Total deferred inflows of resources	<u>976,092</u>	<u>489,049</u>	<u>253,901</u>	<u>76,594</u>	<u>-</u>	<u>1,795,636</u>
Fund Balances						
Restricted:						
Capital Outlay	-	483,379	-	-	-	483,379
Special Education	-	-	263,463	-	-	263,463
Pension	-	-	-	600,027	-	600,027
Capital Projects	-	-	-	-	5,314,903	5,314,903
Assigned (subsequent year's budget)	347,126	-	-	-	-	347,126
Unassigned	518,096	-	-	-	-	518,096
Total fund balances	<u>865,222</u>	<u>483,379</u>	<u>263,463</u>	<u>600,027</u>	<u>5,314,903</u>	<u>7,526,994</u>
	<u>\$ 2,185,023</u>	<u>\$ 977,628</u>	<u>\$ 555,409</u>	<u>\$ 676,621</u>	<u>\$ 5,708,587</u>	<u>\$ 10,103,268</u>

Britton-Hecla School District 45-4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Position
Year Ended June 30, 2015

Total Fund Balances - Governmental Funds	\$ 7,526,994
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and; therefore, are not reported in the funds.	6,347,901
Long-term liabilities, including bonds payable and notes payable are not due and payables in the current period and; therefore, are not reported in the funds.	(8,267,645)
Assets such as taxes receivable (delinquent and utility) are not available to pay for current period expenditures and; therefore, are deferred in the funds.	138,114
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 available financial resources and; therefore, are not reported in the funds.	<u>687,951</u>
Net Position - Governmental Funds	<u>\$ 6,433,315</u>

Britton-Hecla School District 45-4
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Capital Projects Fund	Total Governmental Funds
Revenues						
Revenue from local sources						
Taxes:						
Ad valorem taxes	\$ 1,665,049	\$ 928,462	\$ 449,084	\$ 147,736	\$ -	\$ 3,190,331
Prior year's ad valorem taxes	10,426	3,506	1,490	518	-	15,940
Gross receipts taxes	129,606	-	-	-	-	129,606
Penalties and interest on taxes	832	534	236	86	-	1,688
Revenue from local governmental units other than LEAs						
Revenue in lieu of taxes	2,342	-	-	-	-	2,342
Earnings on investments and deposits	215	80	49	156	433	933
Cocurricular activities:						
Admissions	32,992	-	-	-	-	32,992
Rentals	2,635	-	-	-	-	2,635
Other pupil activity	2,496	-	-	-	-	2,496
Other revenue from local sources:						
Contributions and donations	2,123	65,816	604	-	-	68,543
Charges for services	4,770	-	17,315	-	-	22,085
Other	11,546	-	558	-	-	12,104
Revenue from intermediate sources:						
County sources:						
County apportionment	36,826	-	-	-	-	36,826
Revenue from State sources:						
Grants-in-aid:						
Unrestricted grants-in-aid	799,209	-	-	-	-	799,209
Restricted grants-in-aid	9,561	-	-	-	-	9,561
Other state revenue	251	-	-	-	-	251
Revenue from Federal sources:						
Grants-in-aid:						
Restricted grants-in-aid received from Federal Government through the State						
	102,404	-	-	-	-	102,404
Other Federal revenue	27,621	23,695	-	-	-	51,316
Total revenues	2,840,904	1,022,093	469,336	148,496	433	4,481,262

Britton-Hecla School District 45-4
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Capital Projects Fund	Total Governmental Funds
Expenditures						
Instruction						
Regular programs:						
Elementary	963,585	41,953	-	46,800	-	1,052,338
Middle/junior high	187,364	3,969	-	6,871	-	198,204
High school	518,773	47,344	-	24,009	-	590,126
Special programs:						
Programs for special education	-	-	303,232	-	-	303,232
Educationally deprived	66,195	-	-	-	-	66,195
Support services						
Pupils:						
Guidance	60,986	-	475	3,061	-	64,522
Health	1,076	-	-	-	-	1,076
Psychological	-	-	7,614	-	-	7,614
Speech pathology	-	-	17,156	-	-	17,156
Student therapy services	-	-	11,547	-	-	11,547
Support services - instructional staff:						
Improvement of instruction	34,011	-	-	-	-	34,011
Educational media	79,455	-	-	4,192	-	83,647
Support services - general administration:						
Board of education	46,207	-	-	-	-	46,207
Executive administration	134,446	-	-	6,649	-	141,095
Support services - school administration:						
Office of the principal	156,754	-	-	7,199	-	163,953
Other school administrative	132	-	-	-	-	132
Support services - business:						
Fiscal services	109,014	-	-	4,949	-	113,963
Facilities acquisition and construction	-	10,354	-	-	-	10,354
Operation and maintenance of plant	281,338	165,904	-	7,090	-	454,332
Pupil transportation	155,504	66,884	-	3,059	-	225,447
Support services - central:						
Staff	908	-	-	-	-	908
Support services - special education:						
Administrative costs	-	-	19,325	-	-	19,325
Transportation costs	-	-	266	-	-	266
Nonprogrammed charges:						
Early retirement payments	-	-	-	17,317	-	17,317
Debt services	-	496,133	-	-	102,420	598,553
Cocurricular activities:						
Male activities	36,985	1,948	-	947	-	39,880
Female activities	41,242	1,948	-	924	-	44,114
Transportation	9,645	-	-	111	-	9,756
Combined activities	82,238	651	-	2,664	-	85,553
Capital Outlay	3,350	157,496	-	-	1,081,379	1,242,225
Total expenditures	<u>2,969,208</u>	<u>994,584</u>	<u>359,615</u>	<u>135,842</u>	<u>1,183,799</u>	<u>5,643,048</u>
Other Financing Sources (Uses)						
Sale of fixed assets	-	375	-	-	-	375
Long-term debt issued	-	-	-	-	6,385,000	6,385,000
Premium on bonds issued	-	-	-	-	113,269	113,269
Total other financing sources (uses)	<u>-</u>	<u>375</u>	<u>-</u>	<u>-</u>	<u>6,498,269</u>	<u>6,498,644</u>
Net Change in Fund Balances	(128,304)	27,884	109,721	12,654	5,314,903	5,336,858
Fund Balance - Beginning	993,526	455,495	153,742	587,373	-	2,190,136
Fund Balance - Ending	<u>\$ 865,222</u>	<u>\$ 483,379</u>	<u>\$ 263,463</u>	<u>\$ 600,027</u>	<u>\$ 5,314,903</u>	<u>\$ 7,526,994</u>

Britton-Hecla School District 45-4
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-
 Wide Statement of Activities
 Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ 5,336,858
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$1,242,225) exceeded depreciation (\$315,710) in the current period.	926,515
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".	115,536
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn compensated absences.	1,948
Governmental funds do not reflect the change in early retirement debt, but the effects of this debt is reflected in the statement of activities.	15,932
Governmental funds do not reflect the change in termination benefits, but the effects of this debt is reflected in the statement of activities.	(113,269)
The issuance of long-term debt is an other financing source in the fund statements, but an increase in long-term liabilities on the government-wide statements.	(6,385,000)
Repayment of bond and other long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	364,254
Revenues and reduction of expenses related to pensions do not provide current financial resources and; therefore, are not reported in the funds.	175,084
Change in Net Position of Governmental Activities	<u>\$ 437,858</u>

Britton-Hecla School District 45-4
Statement of Net Position – Proprietary Funds
June 30, 2015

	Other Enterprise Fund	Food Service Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ -	\$ 76,572	\$ 76,572
Due from other enterprise fund	-	8,896	8,896
Due from state government	-	20,712	20,712
Inventory of supplies	-	550	550
Inventory of stores purchased for resale	-	3,147	3,147
Inventory of donated food	-	3,275	3,275
Total current assets	<u>-</u>	<u>113,152</u>	<u>113,152</u>
Noncurrent Assets			
Net pension asset	4,610	24,590	29,200
Capital Assets:			
Machinery and equipment - local funds	-	80,084	80,084
Accumulated depreciation - machinery and equipment - local funds	<u>-</u>	<u>(55,318)</u>	<u>(55,318)</u>
Total noncurrent assets	<u>4,610</u>	<u>49,356</u>	<u>53,966</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>4,009</u>	<u>21,546</u>	<u>25,555</u>
	<u>\$ 8,619</u>	<u>\$ 184,054</u>	<u>\$ 192,673</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ 264	\$ 16,196	\$ 16,460
Contracts payable	1,428	118	1,546
Benefits payable	195	18	213
Due to food service fund	8,896	-	8,896
Unearned revenue	<u>-</u>	<u>4,012</u>	<u>4,012</u>
Total liabilities	<u>10,783</u>	<u>20,344</u>	<u>31,127</u>
Deferred Inflows of Resources			
Pension related deferred inflows	<u>5,339</u>	<u>28,479</u>	<u>33,818</u>
Net Position			
Net investment in capital assets	-	24,766	24,766
Restricted for SDRS benefits	3,280	17,657	20,937
Unrestricted net position	<u>(10,783)</u>	<u>92,808</u>	<u>82,025</u>
Total net position	<u>(7,503)</u>	<u>135,231</u>	<u>127,728</u>
	<u>\$ 8,619</u>	<u>\$ 184,054</u>	<u>\$ 192,673</u>

Britton-Hecla School District 45-4
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2015

	Other Enterprise Fund	Food Service Fund	Total
Operating Revenues			
Tuition and Fees			
Student tuition	\$ 13,507	\$ -	\$ 13,507
Food Sales			
To pupils	-	85,555	85,555
To adults	-	6,035	6,035
Pension revenue	195	1,039	1,234
Total operating revenues	<u>13,702</u>	<u>92,629</u>	<u>106,331</u>
Operating Expenses			
Salaries	12,611	58,278	70,889
Employee benefits	2,322	9,604	11,926
Purchased services	100	68,953	69,053
Supplies	1,895	3,227	5,122
Cost of sales - purchased food	-	94,125	94,125
Cost of sales - donated food	-	18,805	18,805
Equipment	-	749	749
Depreciation - local funds	-	4,530	4,530
Total operating expenses	<u>16,928</u>	<u>258,271</u>	<u>275,199</u>
Operating Loss	<u>(3,226)</u>	<u>(165,642)</u>	<u>(168,868)</u>
Nonoperating Revenues			
Investment earnings	-	20	20
State sources:			
Cash reimbursements	-	1,478	1,478
Federal sources:			
Cash reimbursements	-	169,048	169,048
Donated food	-	19,987	19,987
Total nonoperating revenues	<u>-</u>	<u>190,533</u>	<u>190,533</u>
Change in Net Position	<u>(3,226)</u>	<u>24,891</u>	<u>21,665</u>
Net Position - Beginning, as Previously Stated	(6,753)	97,136	90,383
Change in Reporting, GASB 68 (See Note 14)	<u>2,476</u>	<u>13,204</u>	<u>15,680</u>
Net Position - Beginning, as Restated	<u>(4,277)</u>	<u>110,340</u>	<u>106,063</u>
Net Position - Ending	<u>\$ (7,503)</u>	<u>\$ 135,231</u>	<u>\$ 127,728</u>

Britton-Hecla School District 45-4
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2015

	Other Enterprise Fund	Food Service Fund	Total
Cash Flows used for Operating Activities			
Receipts from customers	\$ 13,507	\$ 82,746	\$ 96,253
Payments to suppliers	(5,441)	(165,423)	(170,864)
Payments to employees	(8,066)	(72,948)	(81,014)
Net Cash used for Operating Activities	<u>-</u>	<u>(155,625)</u>	<u>(155,625)</u>
Cash Flows from Noncapital Financing Activities			
Operating subsidies	-	170,526	170,526
Net Cash from Noncapital Financing Activities	<u>-</u>	<u>170,526</u>	<u>170,526</u>
Cash Flows used for Investing Activities			
Purchase of property, plant, and equipment	-	(7,517)	(7,517)
Interest earnings	-	20	20
Net Cash used for Investing Activities	<u>-</u>	<u>(7,497)</u>	<u>(7,497)</u>
Change in Cash and Cash Equivalents	-	7,404	7,404
Cash and Cash Equivalents Beginning of Year	<u>-</u>	<u>69,168</u>	<u>69,168</u>
Cash and Cash Equivalents End of Year	<u>\$ -</u>	<u>\$ 76,572</u>	<u>\$ 76,572</u>
Reconciliation of Operating Loss to			
Net Cash used for Operating Activities:			
Operating loss	\$ (3,226)	\$ (165,642)	\$ (168,868)
Adjustments to reconcile operating loss to			
net cash used for operating activities:			
Depreciation expense	-	4,530	4,530
Value of donated commodities used	-	18,805	18,805
Change in assets and liabilities:			
Receivables	-	(8,134)	(8,134)
Due from other fund	-	(4,953)	(4,953)
Inventories	-	(822)	(822)
Pension asset and deferred outflows	(6,143)	(32,932)	(39,075)
Pension deferred inflows	5,339	28,479	33,818
Payables	(923)	5,754	4,831
Due to other fund	4,953	-	4,953
Deferred revenue	-	(710)	(710)
Net Cash used for Operating Activities	<u>\$ -</u>	<u>\$ (155,625)</u>	<u>\$ (155,625)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	\$ -	\$ 19,987	\$ 19,987

Britton-Hecla School District 45-4
Statement of Fiduciary Net Position
June 30, 2015

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
Assets		
Cash and cash equivalents	\$ 3,335	\$ 176,370
	<u>\$ 3,335</u>	<u>\$ 176,370</u>
Liabilities		
Amounts held for others	\$ -	\$ 176,370
Total liabilities	<u>-</u>	<u>176,370</u>
Net Position		
Net position held in trust for scholarships	<u>3,335</u>	<u>-</u>
Total net position	<u>3,335</u>	<u>-</u>
	<u>\$ 3,335</u>	<u>\$ 176,370</u>

Britton-Hecla School District 45-4
Statement of Changes in Fiduciary Net Position
June 30, 2015

	<u>Private Purpose Trust Fund</u>
Additions	
Contributions and donations	<u>\$ 2,000</u>
Total additions	<u> 2,000</u>
Deductions	
Trust deductions for payments	<u> 4,000</u>
Total deductions	<u> 4,000</u>
Change in Net Position	(2,000)
Net Position - Beginning	<u> 5,335</u>
Net Position - Ending	<u><u> \$ 3,335</u></u>

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Britton-Hecla School District 45-4 conform to generally accepted accounting principles applicable to government entities in the United States of America.

Financial Reporting Entity

The reporting entity of the Britton-Hecla School District 45-4 (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 financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

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

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

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by 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, deferred outflows liabilities, deferred inflows, 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 principle 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.

Capital Projects Fund Types – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments).

The Capital Project Fund – A fund established to account for transactions of the elementary and high school construction project. 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.

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

Other Enterprise Fund – An enterprise fund maintained by the School District to record financial transactions related to the driver's ed and after school programs. 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.

Private-Purpose Trust Fund Types – Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains the following private-purpose trust funds, which are used for the purpose of providing scholarships to students:

- Cermack Scholarship Fund
- Oak Leaf Fund

Measurement Focus and Basis of Accounting

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

Measurement Focus

Government-Wide Financial Statements – In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

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

Basis of Accounting

Government-Wide Financial Statements – In the government-wide statement of net position and statement of activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements – All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues generally are recognized when they become measurable and available. “Available” means resources are collected within the current period or soon enough after the end of the fiscal year that they can be used to pay liabilities of the current period. The accrual period for the School District is sixty days. The revenues, which are accrued at June 30, 2015, are due from the counties and state government.

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:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as internal balances.
2. In order to minimize the doubling-up effect on internal service fund activity, certain “centralized expenses” are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the General Fund, so that expenses are reported only in the function to which they relate.

Fund Financial Statements

Noncurrent portions of long-term interfund receivables are reported as nonspendable fund balance to the extent that the proceeds from the 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.

The total June 30, 2015 balance of capital assets for governmental activities includes approximately 24% for which the costs were determined by estimates of the original costs. The total June 30, 2015 balance of capital assets for business-type activities include approximately 14% for which the costs were determined by estimates of the original costs. The estimated original costs for capital assets for governmental activities were based upon the appraisals, and the estimations of capital assets for business-type activities were established by reviewing applicable historical costs and basing the estimations thereon.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land*	All	N/A	N/A
Improvements	\$ 10,000	Straight-line	25-50 years
Buildings	20,000	Straight-line	20 years
Machinery and equipment	5,000	Straight-line	5-20 years
Food service equipment	1,000	Straight-line	12 years

**Land is an inexhaustible capital asset and is not depreciated*

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

Long-Term Liabilities

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of long-term bonds and notes payable.

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

Program Revenues

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

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

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. The county bills and collects the School District's taxes and remits them to the School District.

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

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 statement of activities, revenues and expenses are classified in a manner consistent with how they are classified in the statement of cash flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities or investing activities are not reported as components of operating revenues or expenses.

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 statement 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 assets with constraints 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 assets 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 may distinguish between non-spendable, restricted, committed, assigned and 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 authority and does not lapse at year-end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the School Board 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 amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay	Property taxes and donations
Special Education	Property taxes, grants and State aid
Pension	Property taxes

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 (asset), deferred outflows of resources, deferred inflows of resources, and pension expense (revenue). The effect of the implementation of these standards on beginning net position is disclosed in Note 14.

Deferred Outflows and Inflows of Resources

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 (asset) not included in pension expense (revenue) 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 (asset) not included in pension expense (revenue) reported in the government-wide statement of net position.

Rounding

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

Note 2 - Deposits and Investments Credit Risk, Concentrations of Credit Risk and Interest Rate Risk

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

Deposits

The School District’s deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100% 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.

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 income from investments in each respective fund.

Concentration of Credit Risk: The School District places no limit on the amount that the School District may deposit in any one financial 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. As of June 30, 2015, the financial institution that holds the School District’s deposits was properly collateralized.

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

	<u>Book Balance</u>
Insured (FDIC/NCUA)	\$ 250,000
Uninsured, collateral jointly held by State's/School District's agent in the name of the State and the pledging financial institution	2,703,268
	<u>\$ 2,953,268</u>

The School District's carrying amount of deposits at June 30, 2015 was \$2,945,600. Reconciliation of deposits to the government-wide statement of net assets:

Cash and cash equivalents	\$ 8,474,482
Add: Agency fund and private purpose trusts fund cash (not included in government-wide statement of net assets)	179,705
Less: Money market investment account included in cash and cash equivalents	<u>(5,708,587)</u>
	<u><u>\$ 2,945,600</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.

Investments held as of June 30, 2015 are as follows:

	Credit Rating	Maturity	Fair Value
External investment pools:			
SDFIT	Unrated	N/A	<u><u>\$ 5,708,587</u></u>

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine member board with representation from municipalities, school districts, and counties.

The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis. Since the School District has ready access to the cash, it is reported as cash and cash equivalents.

Custodial Credit Risk Investments: The risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have an investment policy for custodial risk.

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

Credit Risk: State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices. As of June 30, 2015, the School District's investment in the SDFIT pool was unrated.

Concentration of Credit Risk: The School District places no limit on the amount that the School District may invest in any one issuer. One hundred percent of the School District's investments are in the SDFIT pool.

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 interest earned to the fund making the investment.

Note 3 - Receivables and Payables

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

Note 4 - Changes in Capital Assets

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

<u>Primary Government Governmental Activities</u>	<u>Balance 07/01/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/15</u>
Capital assets not being depreciated:				
Land	\$ 152,762	\$ -	\$ -	\$ 152,762
Construction in process	-	1,081,379	-	1,081,379
Total not being depreciated	<u>152,762</u>	<u>1,081,379</u>	<u>-</u>	<u>1,234,141</u>
Capital assets being depreciated:				
Buildings	5,723,975	15,532	-	5,739,507
Improvements	2,730,292	-	-	2,730,292
Machinery and equipment	1,216,584	145,314	19,135	1,342,763
Total being depreciated	<u>9,670,851</u>	<u>160,846</u>	<u>19,135</u>	<u>9,812,562</u>
Less accumulated depreciation for:				
Buildings	2,475,503	113,280	-	2,588,783
Improvements	1,053,154	127,447	-	1,180,601
Machinery and equipment	873,570	74,983	19,135	929,418
Total accumulated depreciation	<u>4,402,227</u>	<u>315,710</u>	<u>19,135</u>	<u>4,698,802</u>
Total capital assets being depreciated, net	<u>5,268,624</u>	<u>(154,864)</u>	<u>-</u>	<u>5,113,760</u>
Governmental activity capital assets, net	<u>\$ 5,421,386</u>	<u>\$ 926,515</u>	<u>\$ -</u>	<u>\$ 6,347,901</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 106,198
Support services	72,207
Co-curricular	<u>137,305</u>
Total depreciation expense - governmental activities	<u>\$ 315,710</u>

Britton-Hecla School District 45-4
Notes to Financial Statements
June 30, 2015

<u>Business-Type Activities</u>	<u>Balance 07/01/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/15</u>
Capital assets being depreciated				
Machinery and equipment	\$ 75,667	\$ 7,516	\$ 3,100	\$ 80,083
Total being depreciated	<u>75,667</u>	<u>7,516</u>	<u>3,100</u>	<u>80,083</u>
Less accumulated depreciation for:				
Machinery and equipment	53,888	4,529	3,100	55,317
Total accumulated depreciation	<u>53,888</u>	<u>4,529</u>	<u>3,100</u>	<u>55,317</u>
Total capital assets being depreciated, net	<u>21,779</u>	<u>2,987</u>	<u>-</u>	<u>24,766</u>
Business-type activities capital assets, net	<u>\$ 21,779</u>	<u>\$ 2,987</u>	<u>\$ -</u>	<u>\$ 24,766</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food services	\$ 4,529
Total depreciation expense - business-type activities	<u>\$ 4,529</u>

As of June 30, 2015, the School District has committed approximately \$2,146,078 for Phase 1 of the elementary and high school remodel project, of which, \$1,081,379 payments had been made or accrued as accounts payable at year-end. Subsequent to yearend, the School District committed an additional \$3,299,750 for Phase 2 of the project. The project will be funded by capital outlay certificates issued in the year ended June 30, 2015.

Note 5 - Long-Term Liabilities

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

	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>	<u>Due in One Year</u>
Governmental activities:					
Capital Outlay certificates, Series 2015	\$ -	\$ 6,385,000	\$ -	\$ 6,385,000	\$ 178,420
Capital Outlay certificates, Series 2009	1,835,000	-	340,000	1,495,000	355,000
Other long-term debt - State loan	242,540	-	24,254	218,286	24,254
Early retirement benefits	67,928	-	15,932	51,996	13,241
Compensated absences	6,042	-	1,948	4,094	4,094
Unamortized premium	-	113,269	-	113,269	-
	<u>\$ 2,151,510</u>	<u>\$ 6,498,269</u>	<u>\$ 382,134</u>	<u>\$ 8,267,645</u>	<u>\$ 575,009</u>

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

Capital Outlay Certificates

Capital Outlay Certificates Series 2015, annual principle payments due starting January 2020 ending January 2035, and semi-annual interest payments due each January and July until 2035, interest rates ranging from 1.40% to 3.5%, paid from Capital Outlay Fund. \$ 6,385,000

Capital Outlay Certificates Series 2009, annual principle payments due each January until 2019, and semi-annual interest payments due each January and July until 2019, interest rates ranging from 1.55% to 4.0%, paid from Capital Outlay Fund. 1,495,000

Other Long-Term Liabilities

State loan, annual principal payments due each July until 2023, interest rate of 0%, paid from Capital Outlay Fund. 218,286

Early Retirement, requires annual payments of not more than 13,241 from the Pension Fund; final payment in July 2019. 51,996

Compensated absences, payments for vacation leave paid from the fund from which the employee is generally compensated. 4,094

Plus unamortized premium 113,269

\$ 8,267,645

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

Year Ending	Capital Outlay Certificates, Series 2015		Capital Outlay Certificates, Series 2009		State Loan	Early Retirement Benefits	Total Principal	Total Interest
	Principal	Interest	Principal	Interest	Principal	Principal		
2016	\$ -	\$ 159,091	\$ 355,000	\$ 50,451	\$ 24,254	\$ 13,241	\$ 392,495	\$ 209,542
2017	-	178,420	365,000	37,753	24,254	11,626	400,880	216,173
2018	-	178,420	380,000	23,400	24,254	11,626	415,880	201,820
2019	-	178,420	395,000	7,900	24,254	9,043	428,297	186,320
2020	335,000	178,420	-	-	24,254	6,460	365,714	178,420
2021-2025	1,755,000	807,283	-	-	97,016	-	1,852,016	807,283
2026-2030	1,980,000	590,652	-	-	-	-	1,980,000	590,652
2031-2035	2,315,000	248,850	-	-	-	-	2,315,000	248,850
	<u>\$ 6,385,000</u>	<u>\$ 2,519,556</u>	<u>\$ 1,495,000</u>	<u>\$ 119,504</u>	<u>\$ 218,286</u>	<u>\$ 51,996</u>	<u>\$ 8,150,282</u>	<u>\$ 2,639,060</u>

Note 6 - Early Retirement Benefits

The School District has an early retirement policy in which the employee will receive a benefit calculated based on the number of years' service to the School District multiplied by \$300 plus \$2,400 per year until they reach the age of 62 payable to the following options, paid directly to retiree or moved to a trust and agency account to pay for health insurance until completely spent. The employee must meet the following criteria: the employee has served the School District for at least fifteen years and is between the ages of 55 and 63 as of September 1 of the retirement year. The maximum number of recipients approved in any one year shall not exceed three, and those closest to age 62 shall receive first consideration to determine the priority of the recipients. During the 2015 fiscal year, there were two employees approved to receive the benefits.

Note 7 - Operating Leases

The School District has a copier that has been leased for a 60-month period, of which the first lease payment was made in August 2010. The lease payments are being paid from the capital outlay fund. Lease expense for the year ended June 30, 2015 is \$9,924. As of June 30, 2015, the remaining minimum payments on this operating lease based upon the original lease terms were as follows:

Year	Amount
2016	\$ 827
	\$ 827

Note 8 - Restricted Net Position

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

Fund	Restricted By	Amount
Special Education	Law	\$ 265,553
Capital Outlay	Law	488,264
Pension	Law	600,791
SDRS Pension Plan	Pension Plan	687,951
Total restricted net assets		\$ 2,042,559

Note 9 - Joint Venture - NESC

Northeast Educational Services Cooperative No. 28-201 PO Box 327 Hayti, South Dakota 57241; 605-783-3607

The School District participates in Northeast Educational Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education and other services to member schools. The School District's percentage of participation in the co-op is 6.77% based on student counts.

The co-op's governing board has one representative from the school board of each member school. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget.

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

Separate financial statements of the co-op are available at its business office in Hayti, South Dakota.

As of June 30, 2015, this joint venture had total unaudited fund equity of approximately \$1,159,937.

Note 10 - 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 year ended June 30, 2015, the School District managed its risks as follows:

Employee Health Insurance

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local governmental entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage provides for a \$1000 to \$2500 deductible per person up to \$2000 to \$5,000 per family, 80/20% coinsurance with up to 80% of \$10,000 to \$20,000 and a lifetime maximum of \$2,000,000 per person.

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

At June 30, 2015, the South Dakota School District Health Benefits Fund had a deficit net position. The Fund is changing its third party administrator to gain network efficiencies and increasing premiums to recover this deficit. They currently do not plan to assess participants. The School District would have a liability for their share of the deficit, should they decide to leave the plan.

Liability Insurance – Property & Liability Insurance with EMC Insurance Co.

The School District joined the Associated School Boards of South Dakota Property Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The School District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the School District. The School District pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage. The School District pays an annual premium to the pool to provide coverage for property, general liability, automobile, EDP, inland marine, accounts receivable, property in transit, valuable papers, ordinance or law, school leaders professional liability and cost of defense, crime, and boiler and machinery. The agreement with the ASBSD-PLF provides that the above coverage's will be provided to various limits for the different types of coverage. Member premiums are used by the pool for payment of claims and to pay for the property, crime, and automobile coverage, a \$1,000 deductible for the boiler and machinery coverage, and various other deductibles for different types of insurance coverage.

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

Worker's Compensation

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provided workers' compensation insurance coverage for participating members of the pool. The objective of the fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of 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. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual per incident.

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

Unemployment Benefits

The School District provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

Note 11 - Litigation

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

Note 12 - Pension Plan

Plan Information

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

Benefits Provided

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7% 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% 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 \$138,766, \$143,348 and \$137,591, 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:

Proportionate share of net position restricted for pension benefits	\$ 14,492,189
Less proportionate share of total pension liability	<u>13,507,888</u>
Proportionate share of net pension asset	<u><u>\$ 984,301</u></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 \$984,301 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 0.1366214%.

For the year ended June 30, 2015, the School District recognized pension revenue of \$41,577. 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	\$ 83,285	\$ -
Changes in assumption	642,523	-
Net difference between projected and actual earnings on pension plan investments	-	1,139,987
Changes in proportion and difference between School District contributions and proportionate share of contributions	-	-
School District contributions subsequent to the measurement date	138,766	-
Total	\$ 864,574	\$ 1,139,987

There is \$138,766 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/increase of the net pension liability (asset) 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:			
2016			\$ 78,214
2017			78,214
2018			78,214
2019			179,537
Total			\$ 414,179

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%
Total	<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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension asset (liability)	\$ (972,675)	\$ 984,301	\$ 2,580,420

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 13 - 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.

	Governmental Activities	Business-Type Activities	Total
Net position at June 30, 2014, as previously stated	\$ 5,482,590	\$ 90,383	\$ 5,572,973
Net pension asset at June 30, 2014	373,771	11,427	385,198
Deferred outflows of resources related to contributions made during the year ended June 30, 2014	139,096	4,253	143,349
Net position at July 1, 2014, as restated	\$ 5,995,457	\$ 106,063	\$ 6,101,520

The business-type activities have been restated as follows:

	Other Enterprise Fund	Food Service Fund	Business-Type Activities Total
Net position at June 30, 2014, as previously stated	\$ (6,753)	\$ 97,136	\$ 90,383
Net pension asset at June 30, 2014	1,804	9,623	11,427
Deferred outflows of resources related to contributions made during the year ended June 30, 2014	672	3,581	4,253
Net position at July 1, 2014, as restated	\$ (4,277)	\$ 110,340	\$ 106,063



Required Supplementary Information
June 30, 2015

Britton-Hecla School District 45-4

Britton-Hecla School District 45-4
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 1,500,000	\$ 1,500,000	\$ 1,665,049	\$ 165,049
1120 Prior year's ad valorem taxes	10,000	10,000	10,426	426
1140 Gross receipts taxes	125,000	125,000	129,606	4,606
1190 Penalties and interest on taxes	1,000	1,000	832	(168)
1200 Revenue in lieu of taxes	2,000	2,000	2,342	342
1500 Earnings on investments and deposits	1,000	1,000	215	(785)
1700 Cocurricular activities:				
1710 Admissions	32,000	32,000	32,992	992
1740 Rentals	3,000	3,000	2,635	(365)
1790 Other Pupil activity	10,100	10,100	2,496	(7,604)
1900 Other revenue from local sources:				
1920 Contributions and donations	500	500	2,123	1,623
1970 Charges for services	18,000	18,000	4,770	(13,230)
1990 Other	5,000	5,000	11,546	6,546
2000 Revenue from intermediate sources				
2100 County sources:				
2110 County apportionment	35,000	35,000	36,826	1,826
3000 Revenue from State sources				
3100 Grants-in-aid:				
3110 Unrestricted grants-in-aid	930,725	930,725	799,209	(131,516)
3120 Restricted grants-in-aid	500	500	9,561	9,061
3210 Revenue in lieu of taxes	3,000	3,000	-	(3,000)
3900 Other state revenue	-	-	251	251
4000 Revenue from Federal sources				
4100 Grants-in-aid:				
4130 Restricted grants-in-aid received from Federal Government through an intermediate source	12,000	12,000	-	(12,000)
4150-4199 Restricted grants-in-aid received from Federal Government through the State	116,645	116,645	102,404	(14,241)
4900 Other federal revenue	31,480	31,480	27,621	(3,859)
Total revenues	<u>2,836,950</u>	<u>2,836,950</u>	<u>2,840,904</u>	<u>3,954</u>

Britton-Hecla School District 45-4
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary	1,014,435	1,014,435	963,585	50,850
1120 Middle/junior high	298,590	298,590	187,364	111,226
1130 High school	452,200	452,200	518,773	(66,573)
1200 Special programs:				
1270 Educationally deprived	83,400	83,400	66,195	17,205
2000 Support services				
2100 Pupils:				
2120 Guidance	63,100	63,100	60,986	2,114
2130 Health	1,200	1,200	1,076	124
2200 Support services - instructional staff:				
2210 Improvement of instruction	13,700	13,700	34,011	(20,311)
2220 Educational media	85,125	85,125	82,805	2,320
2300 Support services - general administration:				
2310 Board of education	40,560	40,560	46,207	(5,647)
2320 Executive administration	134,800	134,800	134,446	354
2400 Support services - school administration:				
2410 Office of the Principal	158,285	158,285	156,754	1,531
2490 Other school administrative	1,500	1,500	132	1,368
2500 Support services - business:				
2520 Fiscal services	110,850	110,850	109,014	1,836
2540 Operation and maintenance of plant	331,800	331,800	281,338	50,462
2550 Pupil transportation	174,500	174,500	155,504	18,996
2600 Support services - central:				
2640 Staff	-	-	908	(908)
6000 Cocurricular activities:				
6100 Male activities	49,040	49,040	36,985	12,055
6200 Female activities	44,440	44,440	41,242	3,198
6500 Transportation	12,765	12,765	9,645	3,120
6900 Combined activities	93,786	93,786	82,238	11,548
7000 Contingencies	20,000	20,000	-	20,000
Total expenditures	<u>3,184,076</u>	<u>3,184,076</u>	<u>2,969,208</u>	<u>214,868</u>
Net Change in Fund Balances	(347,126)	(347,126)	(128,304)	218,822
Fund Balance - Beginning	<u>993,526</u>	<u>993,526</u>	<u>993,526</u>	-
Fund Balance - Ending	<u>\$ 646,400</u>	<u>\$ 646,400</u>	<u>\$ 865,222</u>	<u>\$ 218,822</u>

Britton-Hecla School District 45-4
 Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund
 Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 931,000	\$ 931,000	\$ 928,462	\$ (2,538)
1120 Prior year's ad valorem taxes	3,000	3,000	3,506	506
1190 Penalties and interest on taxes	600	600	534	(66)
1500 Earnings on investments and deposits	100	100	80	(20)
1900 Other revenue				
1920 Contributions and donations	60,000	60,000	65,816	5,816
4000 Revenue from Federal sources				
4900 Other Federal revenue	31,300	31,300	23,695	(7,605)
Total revenues	<u>1,026,000</u>	<u>1,026,000</u>	<u>1,022,093</u>	<u>(3,907)</u>
Expenditures				
1000 Instruction				
1100 Regular Programs:				
1110 Elementary	44,900	44,900	41,953	2,947
1120 Middle School	5,000	5,000	3,969	1,031
1130 High School	52,500	52,500	47,344	5,156
2000 Support services				
2500 Support services - business:				
2530 Facilities acquisition and construction	21,300	37,500	10,354	27,146
2540 Operation and maintenace of plant	278,500	292,500	261,436	31,064
2550 Transportation	158,600	158,600	120,532	38,068
5000 Debt services	426,300	426,300	496,133	(69,833)
6000 Cocurricular activities				
6100 Male activities	5,000	5,000	10,264	(5,264)
6200 Female activities	2,500	2,500	1,948	552
6900 Combined activities	1,200	1,200	651	549
Total expenditures	<u>995,800</u>	<u>1,026,000</u>	<u>994,584</u>	<u>31,416</u>
Excess of Revenues over (under) Expenditures	<u>30,200</u>	<u>-</u>	<u>27,509</u>	<u>27,509</u>
Other Financing Sources (Uses)				
Sale of fixed assets	-	-	375	375
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>375</u>	<u>375</u>
Net Change in Fund Balances	30,200	-	27,884	27,884
Fund Balance - Beginning	<u>455,495</u>	<u>455,495</u>	<u>455,495</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 485,695</u>	<u>\$ 455,495</u>	<u>\$ 483,379</u>	<u>\$ 27,884</u>

Britton-Hecla School District 45-4
 Budgetary Comparison Schedule – Budgetary Basis – Special Education Fund
 Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 450,100	\$ 450,100	\$ 449,084	\$ (1,016)
1120 Prior year's ad valorem taxes	1,000	1,000	1,490	490
1190 Penalties and interest on taxes	500	500	236	(264)
1500 Earnings on investments and deposits	75	75	49	(26)
1900 Other revenue	17,500	17,500	18,477	977
Total revenues	<u>469,175</u>	<u>469,175</u>	<u>469,336</u>	<u>161</u>
Expenditures				
1000 Instruction				
1200 Special programs:				
1220 Programs for special education	377,200	377,200	303,232	73,968
2000 Support services				
2100 Pupils:				
2120 Guidance	800	800	475	325
2140 Psychological	14,500	14,500	7,614	6,886
2150 Speech pathology	27,500	27,500	17,156	10,344
2170 Student therapy services	26,700	26,700	11,547	15,153
2200 Support services - instructional staff:				
2210 Improvement of instruction	500	500	-	500
2700 Support services - special education:				
2710 Administration costs	20,475	20,475	19,325	1,150
2730 Transportation costs	1,500	1,500	266	1,234
Total expenditures	<u>469,175</u>	<u>469,175</u>	<u>359,615</u>	<u>109,560</u>
Net Change in Fund Balances	-	-	109,721	109,721
Fund Balance - Beginning	<u>153,742</u>	<u>153,742</u>	<u>153,742</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 153,742</u>	<u>\$ 153,742</u>	<u>\$ 263,463</u>	<u>\$ 109,721</u>

Britton-Hecla School District 45-4
 Budgetary Comparison Schedule – Budgetary Basis – Pension Fund
 Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 135,500	\$ 135,500	\$ 147,736	\$ 12,236
1120 Prior years' ad valorem taxes	600	600	518	(82)
1190 Penalties and interest on taxes	100	100	86	(14)
1500 Earnings on investments and deposits	250	250	156	(94)
Total revenues	<u>136,450</u>	<u>136,450</u>	<u>148,496</u>	<u>12,046</u>
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary	52,400	52,400	46,800	5,600
1120 Middle school	11,500	11,500	6,871	4,629
1130 High school	18,600	18,600	24,009	(5,409)
2000 Support services				
2120 Guidance	3,100	3,100	3,061	39
2220 Educational media	4,170	4,170	4,192	(22)
2330 Executive administration	5,800	5,800	6,649	(849)
2410 Office of the principal	7,220	7,220	7,199	21
2520 Fiscal services	5,130	5,130	4,949	181
2540 Operation and maintenance of plant	11,000	11,000	7,090	3,910
2550 Pupil transportation	2,800	2,800	3,059	(259)
4000 Nonprogrammed charges				
4500 Early retirement payments	17,004	17,004	17,317	(313)
6000 Cocurricular activities:				
6100 Male activities	1,600	1,600	947	653
6200 Female activities	1,301	1,301	924	377
6500 Transportation	-	-	111	(111)
6900 Combined activities	2,675	2,675	2,664	11
Total expenditures	<u>144,300</u>	<u>144,300</u>	<u>135,842</u>	<u>8,458</u>
Net Change in Fund Balances	(7,850)	(7,850)	12,654	20,504
Fund Balance - Beginning	<u>587,373</u>	<u>587,373</u>	<u>587,373</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 579,523</u>	<u>\$ 579,523</u>	<u>\$ 600,027</u>	<u>\$ 20,504</u>

Note 1 - Basis of Presentation

The financial statements prepared in conformity with accounting principles generally accepted in the United States of America present capital outlay expenditure information in a separate category of expenditures. The budgetary comparison schedules have been prepared on the budgetary basis of accounting. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate.

Note 2 - 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 fiduciary funds.
6. After adoption by the School Board, the operating budget is legally binding at the fund level and actual expenditures of each fund cannot exceed the amounts budgeted for that fund, 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. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, 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. Generally accepted accounting principles prescribe that budgetary information be presented for the General Fund and special revenue funds of the School District only.

Britton-Hecla School District 45-4
 Schedule of Employer's Share of Net Pension Liability
 Year Ended 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>0.1366%</u>	<u>\$ 984,301</u>	<u>\$ 2,389,132</u>	<u>41.2%</u>	<u>107.3%</u>

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

Britton-Hecla School District 45-4
 Schedule of Employer's Contributions
 Year Ended June 30, 2015

<u>Pension Plan</u>	<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in 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	<u>\$ 138,766</u>	<u>\$ 138,766</u>	<u>\$ -</u>	<u>\$ 2,312,753</u>	<u>6.0%</u>

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available

Notes to Required Supplementary Information

There are no factors that affect trends in the amounts reported, such as change of benefit terms or assumptions. With only one year reported in the RSI, there is no additional information to include in notes. Detail, 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*

To the School Board
Britton-Hecla School District 45-4
Britton, 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 Britton-Hecla School District 45-4 (the School District) as of and for the year ended June 30, 2015, 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 February 29, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 and 2015-B 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The School District's responses to the findings identified in our audit are described in the accompanying auditor's comments. The School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, 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 Sully LLP".

Aberdeen, South Dakota
February 29, 2016

Status of Prior Audit Recommendations

Finding 2014-A

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-A.

Finding 2014-B

There was a lack of internal control in the preparation of the financial statements and footnotes 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-B.

Current Audit Findings and Recommendations

Finding 2015-A Lack of Segregation of Duties

Condition: Britton-Hecla School District 45-4 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.

Recommendation: Although it is recognized that number of office staff may not be large enough 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-B Preparation of Financial Statements and Footnotes and Significant Journal Entries

Condition: Britton-Hecla School District 45-4 requested the external auditors to assist in the preparation of the financial statements and related footnotes for the year 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.

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.