

BROOKINGS SCHOOL DISTRICT NO. 5-1

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

JUNE 30, 2015

BROOKINGS SCHOOL DISTRICT NO. 5-1
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2015

School Board

Steve Bayer

Marysz Rames

Robert Jostad

Larry Rogers

Van Fishback

Business Manager

Brian Lueders

Superintendent

Dr. Roger DeGroot

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INDEPENDENT AUDITOR'S REPORT

School Board
Brookings School District No. 5-1
Brookings County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Brookings School District No. 5-1, Brookings County, South Dakota, as of June 30, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Brookings School District No. 5-1 as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard

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

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015 on our consideration of Brookings School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Quam & Berglin, P.C.

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

December 29, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Brookings School District #5-1's (School) annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2015. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- During the year, the School's revenues generated from taxes and other revenues of the governmental and business-type programs were \$3,046,484 more than the \$28,081,885 governmental and business-type program expenditures.
- The \$4,332,920 costs of self-insurance premiums and administration were moved into the financial statements.
- The District staff received a 5% increase in wages plus a \$600 bonus in June, during the 2014-15 school year. Staff received a 4% increase for the 2015-16 school year.
- The general fund reported a \$26,115.88 current year deficit primarily due to \$600 bonus in June.
- The capital outlay fund reported a \$668,883 deficit due to the BHS chiller replacement and a \$400,000 transfer to the capital projects fund to assist with construction at Dakota Prairie.
- The District advance refunded the Camelot 4-5 debt service which, resulted in an economic gain of approximately \$280,000 in total debt service cost over the life of the certificates.
- Dakota Prairie Elementary construction is approximately 90% complete.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Figure A-1 summarizes the major features of the School's financial statements, including the portion of the School government covered and the types of information contained. The

reminder of the overview section of the management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of Sample School's Government-wide and Fund Financial Statements

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

Government-wide Statements

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

The two government-wide statements report the School’s net position and how they have changed. Net position is one way to measure the School’s financial health or position.

- Increases or decreases in the School's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional nonfinancial factors such as changes in the School's property tax base and changes in the state school aid funding formula from the State of South Dakota.

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

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

Fund Financial Statements

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

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

The School has three kinds of funds:

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

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE **Net Position**

The School's combined net position increased as follows:

Table A-1
Brookings School District
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2014	2015	2014	2015	2014	2015	2014-15
Current and Other Assets	\$ 33,566,774.48	\$ 33,481,918.24	\$ 615,171.60	\$ 746,687.97	\$ 34,181,946.08	\$ 34,228,606.21	0.14%
Capital Assets (Net of Depreciation)	40,491,261.65	50,953,554.10	60,698.13	81,042.51	40,551,959.78	51,034,596.61	25.85%
Total Assets	74,058,036.13	84,435,472.34	675,869.73	827,730.48	74,733,905.86	85,263,202.82	14.09%
Pension Related Deferred Outflows		4,810,998.68				4,810,998.68	100.00%
Long-Term Liabilities Outstanding	29,711,845.32	31,831,441.66			29,711,845.32	31,831,441.66	7.13%
Other Liabilities	3,470,134.09	4,140,059.58	138,194.51	194,553.38	3,608,328.60	4,334,612.96	20.13%
Total Liabilities	33,181,979.41	35,971,501.24	138,194.51	194,553.38	33,320,173.92	36,166,054.62	8.54%
Pension Related Deferred Inflows		8,340,523.25				8,340,523.25	100.00%
Taxes Levied for a Future Period	7,982,188.44	6,210,259.68			7,982,188.44	6,210,259.68	-22.20%
Total Deferred Inflows	7,982,188.44	14,550,782.93			7,982,188.44	14,550,782.93	77.80%
Net Position							
Net Investment in Capital Assets	25,953,460.78	23,988,978.99	60,698.13	81,042.51	26,014,158.91	24,070,021.50	-7.47%
Restricted	3,102,910.34	10,483,148.49			3,102,910.34	10,483,148.49	237.85%
Unrestricted	3,837,497.16	4,252,059.37	476,977.09	552,134.59	4,314,474.25	4,804,193.96	11.35%
Total Net Position	32,893,868.28	38,724,186.85	537,675.22	633,177.10	33,431,543.50	39,357,363.95	17.73%
Beginning Net Position	31,365,105.93	32,893,868.28	476,080.66	537,675.22	31,841,186.59	33,431,543.50	
Increase (Decrease) in Net Position	1,528,762.35	5,830,318.57	61,594.56	95,501.88	1,590,356.91	5,925,820.45	
Percentage of Increase (Decrease) in Net Position	4.87%	17.72%	12.94%	17.76%	4.99%	17.73%	

GOVERNMENTAL ACTIVITIES

The governmental activities total net position increased by \$5,830,318.58 as a result of construction in progress for Dakota Prairie, GASB 68 Net Pension Asset, as well as additional fixed assets that were purchased.

BUSINESS-TYPE ACTIVITIES

The business type activities total net position increased by \$95,502 as a result of an increase in meal prices and assets purchased.

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

Changes in Net Position

The Net Position increase is due to additional fixed assets purchased which includes the completion of the Camelot Addition and Dakota Prairie.

The School's total revenues (excluding special items) totaled \$31,128,369. (See Table A-2.) Approximately one-half of the School's revenue comes from property and other taxes, with approximately 23% coming from the state. (See Figure A-3).

The total cost of all programs and services increase by approximately 2% due to increases in wages, student growth and the district becoming self-insured. The School's expenses cover a range of services, encompassing instruction, support services and food services. (See Figure A-4)

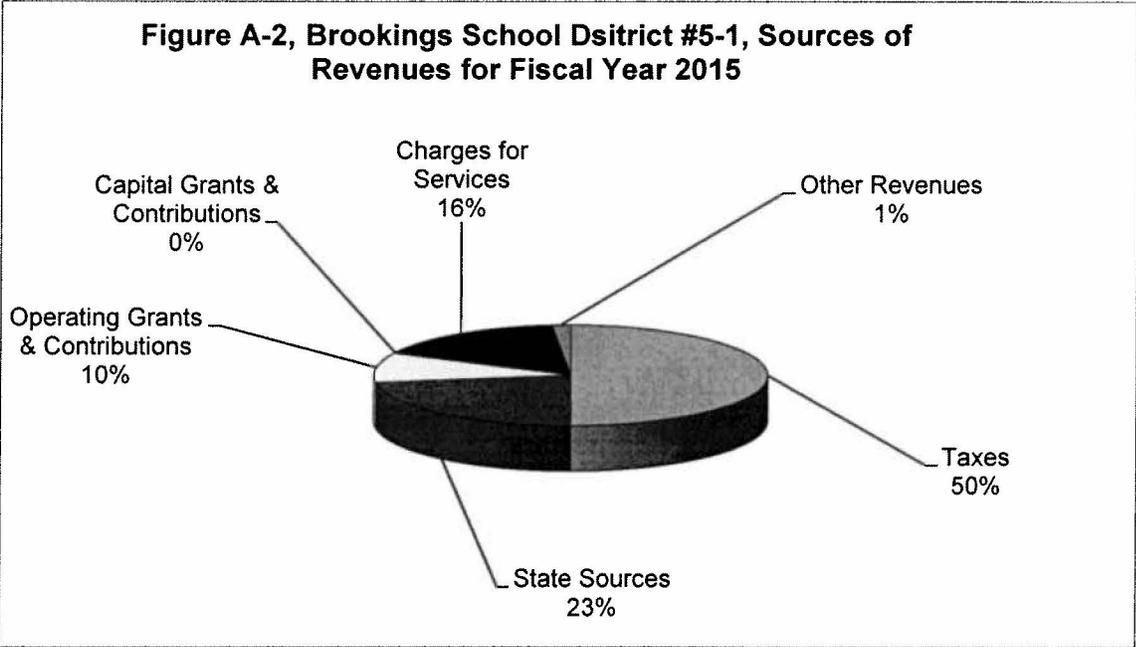
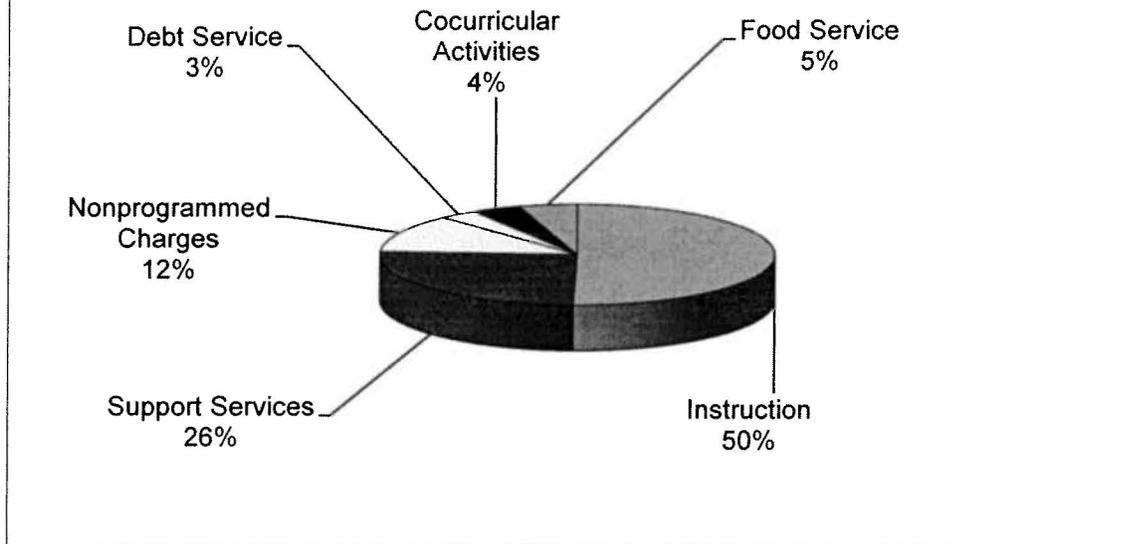


Figure A-3, Brookings School District, Functional Expenses for Fiscal Year 2015



GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

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

Brookings School District
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2014	2015	2014	2015	2014	2015	2014-15
Revenues							
Program Revenues							
Charges for Services	\$ 333,012.99	\$ 471,190.17	\$ 909,096.93	\$ 988,804.63	\$ 1,242,109.92	\$ 1,459,994.80	17.54%
Operating Grants and Contributions	2,466,378.91	2,707,766.56	645,729.17	680,885.21	3,112,108.08	3,388,651.77	8.89%
Capital Grants and Contributions	175,229.60	155,759.18			175,229.60	155,759.18	-11.11%
General Revenues							
Taxes	16,344,492.53	17,666,451.25			16,344,492.53	17,666,451.25	8.09%
Revenue State Sources	7,643,011.81	8,007,913.53			7,643,011.81	8,007,913.53	4.77%
Revenue Federal Sources							
Revenue Intermediate Sources							
Revenue Local Sources							
Unrestricted Investment Earnings	154,250.67	70,690.13	4,881.53	3,396.92	159,132.20	74,087.05	-53.44%
Other General Revenues	388,482.89	375,511.47			388,482.89	375,511.47	-3.34%
Total Revenues	27,504,859.40	29,455,282.29	1,559,707.63	1,673,086.76	29,064,567.03	31,128,369.05	7.10%
Expenses							
Instruction	\$ 15,104,857.36	\$ 15,299,773.39			\$ 15,104,857.36	\$ 15,299,773.39	1.29%
Support Services	8,395,771.78	8,666,966.09			8,395,771.78	8,666,966.09	3.23%
Nonprogrammed Charges	323,088.30	263,868.69			323,088.30	263,868.69	-18.33%
Debt Service	891,252.75	908,805.57			891,252.75	908,805.57	1.97%
Cocurricular Activities	1,261,126.86	1,349,966.69			1,261,126.86	1,349,966.69	7.04%
Capital Outlay							
Drivers Ed/ACT Prep/Summer Camps			49,443.48	60,413.55	49,443.48	60,413.55	22.19%
Food Service			1,448,669.59	1,532,091.30	1,448,669.59	1,532,091.30	5.76%
Total Expenses	25,976,097.05	26,489,380.43	1,498,113.07	1,592,504.85	27,474,210.12	28,081,885.28	2.21%
Excess (Deficiency) Before Prior Period and Transfers	\$ 1,528,762.35	\$ 2,965,901.86	\$ 61,594.56	\$ 80,581.91	\$ 1,590,356.91	\$ 3,046,483.77	91.56%
Transfers		(14,919.97)		14,919.97			
Prior Period Adjustment		2,879,336.69				2,879,336.69	100.00%
Increase (Decrease) in Net Position	\$ 1,528,762.35	\$ 5,830,318.58	\$ 61,594.56	\$ 95,501.88	\$ 1,590,356.91	\$ 5,925,820.46	272.61%

GOVERNMENTAL ACTIVITIES

The increase in governmental activities was due to staff increases, and the district switching to self-insured health insurance.

BUSINESS-TYPE ACTIVITIES

Revenues of the School's business-type activities Food Service and Fund 57 (Summer camps, ACT Prep and Drivers Ed) increased by approximately 7% and expenses increased by approximately 6%. Factors contributing to these results included:

- There was an increase in the number of students attending the school during 2015 as well as a \$.10 increase per meal price. This resulted in an increase in the number of meals served by the food service operations and additional revenue due to the increase in price.
- The primary reason for the increase in expenses was due to normal increase in salaries and wages.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the School Board revised the School budget several times. These amendments fall into three categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.
- Changes made to reflect the hiring freeze implemented by the School Board.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

There were significant budget changes or budget variances for the year due to the increased growth in student numbers at the middle school and elementary.

CAPITAL ASSET ADMINISTRATION

By the end of 2015, the School had invested \$51,034,597 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-3.) This amount represents a net increase (including additions and deductions) of \$10,482,637, or 25.85 percent, over last year resulting from the Dakota Prairie building project.

Table A-3
BROOKINGS SCHOOL DISTRICT #5-1- Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2014	2015	2014	2015	2014-15	2014-15
Land/CIP	\$ 2,641,700	\$ 12,922,354			\$ 10,280,654	389.17%
Buildings	35,435,752	35,270,237			(165,515)	-0.47%
Improvements Other Than Buildings	1,261,232	1,215,053			(46,179)	-3.66%
Machinery and Equipment	1,152,578	1,545,910	60,698	81,043	413,677	34.10%
Total Capital Assets (Net)	\$ 40,491,262	\$ 50,953,554	\$ 60,698	\$ 81,043	\$ 10,482,637	25.85%

This year's capital asset purchases were primarily building additions, an ADA playground, two busses, library books and equipment used in buildings.

LONG-TERM DEBT

At year-end the School had \$31,831,441 in General Obligation Bonds, Capital Outlay Certificates and other long-term obligations. This is an increase of 7.28% as shown on Table A-4 below.

Table A-4
BROOKINGS SCHOOL DISTRICT #5-1- Outstanding Debt and Obligations

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2014	2015	2014	2015	2014-15	2014-15
General Obligation Bonds	\$ 21,730,000	\$ 25,220,000			\$ 3,490,000	16.06%
Capital Outlay Certificates	5,860,000	4,515,000			(1,345,000)	-22.95%
Early Retirement	595,276	563,646			(31,630)	-5.31%
EECBG Loan	315,810	270,690			(45,120)	-14.29%
Post Employment Benefits	1,044,018	1,131,585			87,567	8.39%
Capital Lease Payable	95,982	64,307			(31,675)	-33.00%
Compensated Absences	70,760	66,214			(4,546)	-6.42%
Total Outstanding Debt and Obligations	\$ 29,711,846	\$ 31,831,442	\$	\$	\$ 2,119,596	7.13%

The School is liable for the accrued vacation leave payable to the year round administrative staff, custodians, transportation director and tech staff.

The School also maintains an early retirement plan, which allows those meeting certain qualifications, to retire early and receive 80% of their last year's salary in equal payments spread over the next three to five years. This plan allows the school to reduce the overall program cost by hiring teachers who are lower on the salary schedule.

During the 2014-15 school year the district advance refunded \$4,380,000 of its outstanding Series 2007 General Obligation Bonds used to build Camelot Intermediate School through the issuance of \$4,485,000 of Series 2015 General Obligation Refunding Bonds. The advance refunding resulted in the district reducing its overall debt service costs over the life of the Series 2015 General Obligation Refunding Bonds by approximately \$315,000 and realizing an economic gain on a present value basis of approximately \$279,500.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS, ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The School's current economic continues to grow due to increased student numbers as well as increased valuation due to growth and reassessment. The School did experience an increase in total property valuation of \$59,571,433 to \$1,431,849,334 or 6.41% from the prior year. The increase in valuation gives the district approximately \$178,715 more in capital outlay and \$17,870 more in the pension fund. The total amount which can be levied is limited by the State of South Dakota. It tentatively appears that the district will experience at least another 6% increase in valuation for 2015 taxes payable 2016.

One of the primary sources of revenue to the School is based on a per student allocation received from the State of South Dakota. The state aid formula for the current year ensures that property taxes plus state aid will equal \$4,781.14 per Student. The allocation for the next year has been increased by 2%. The school district anticipates growth of approximately 80 students due to the difference in seniors graduating and new kindergarten students.

GENERAL FUND

The general fund budget increased by approximately 7.2% from the adopted 2014-15 budget. This increase included a 4% increase in salary for all staff, a 9.7% health insurance increase, additional instructional, administrative and support staff as well as utility costs for the opening of Dakota Prairie, two additional teaching staff needed at Camelot and a teacher, two teaching assistants and a .5 counselor at BHS for the learning academy and alternative learning center. The district is anticipating using approximately \$1,190,000 before transferring some expenses out of the general fund. The district will use \$200,000 of the pension fund and \$200,000 of the capital outlay fund for transferring expenses out. The transferring expenses will be used for South Dakota Retirement System payments from the pension fund and utility expenses for the capital outlay fund. If the expense transfer is utilized by the district, the use of fund balance will be reduced by approximately \$400,000. The ending 2014-15 general fund balance decreased by \$31,115 to \$4,623,887. This fund balance is equal to approximately three months of expenditures.

CAPITAL OUTLAY

The capital outlay budget decreased by 2.6% from the adopted 2014-15 budget, due to the completion of the building addition at Camelot. The textbook budget increased by \$60,000 to cover the increased costs of a district wide science and math adoption. The budget for the orchestra department in the middle school and high school was increased due to increased student numbers. The Dakota Prairie library account has additional funds for two years to help start a new collection of books. An air conditioning unit failed at BHS. The district used approximately \$200,000 of fund balance to replace the failed air conditioner with ice storage, which will be a more efficient way to cool the building.

The final payment for phase II at BHS was made in fiscal year 2014-15. This final payment reduced the capital outlay expenditures by approximately \$345,000, which enabled the district to increase the other line items to cover increased needs due to increased student enrollment. The fund 2014-15 capital outlay fund balance decreased by approximately 668,000 to \$1,244,921. Approximately \$1,000,000 is needed in fund balance to cover the purchase of equipment and repairs done over the summer when tax revenue received by the district is minimal.

SPECIAL EDUCATION

The special education budget increased by 3.68% over the 14-15 adopted budget. This increase included a 4% increase in salary for staff as well as a 9.7% health insurance increase and additional staff needed for specialty programs to support students based upon their IEP's. The 2014-15 ending fund balance was reduced by approximately \$181,081 due to increased enrollment and out of district placements. The district anticipates using \$500,000 of fund balance which is not available. This will require an application to the extraordinary cost fund. The district has utilized the extraordinary cost fund the past two years to help maintain a positive fund balance.

PENSION FUND

The pension fund is utilized by the district to pay for early retirement expenses and for South Dakota Retirement System payments. The district will use the pension fund to reduce general fund expenses for SDRS by approximately \$200,000 this year. The 2014-15 ending fund balance increased by approximately \$29,875.

BOND REDEMPTION FUNDS

The bond redemption budgets are used to pay for bonds issued to build the Middle School, Camelot and Dakota Prairie. Each year, the district estimates the amount needed to pay for

these bonds. The amount needed is sent to the auditor to determine the levy necessary to cover the bond payments.

CAPITAL PROJECTS

With the completion of Dakota Prairie, this will be the final year the fund will be used. This fund is created to pay for expenses when the district has a large building project.

FOOD SERVICE

The food service fund is self-sufficient fund and is not covered by any taxes levied by the district. The district, this year, was required by the federal government to increase meal prices by \$.10 to get the amount paid for by students per meal closer to the federal reimbursement rate for free students. The district will be opening a full prep kitchen at Dakota Prairie, which will require some new staff.

ENTERPRISE FUND

The enterprise fund is self-sufficient as well and is used for drivers education, ACT prep and summer camps.

SELF INSURANCE FUND

The district is in the third year of dental self-insurance and the second year of self-insurance for health insurance. The district had a 9.7% increase in health insurance premiums and no increase for the dental insurance premiums. This fund carried over \$530,000, which increased the Dental fund balance to \$82,000 and the health insurance fund balance to \$727,000. The fund balance should be enough to cover approximately three months of expenditures. It is estimated the district spends approximately \$1,000,000 over a three month period.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives and spends. If you have questions about this report or need additional information, contact the Brookings School District's Business Office, 2130 8th St S., Brookings, SD 57006.

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BROOKINGS SCHOOL DISTRICT NO. 5-1
STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
ASSETS:			
Cash and Cash Equivalents	\$ 14,502,833.89	\$ 728,197.71	\$ 15,231,031.60
Taxes Receivable	8,359,094.04		8,359,094.04
Inventories		18,490.26	18,490.26
Due From Other Governments	701,382.98		701,382.98
Net Pension Asset	5,362,137.92		5,362,137.92
Restricted Cash:			
Cash and Cash Equivalents	4,556,469.41		4,556,469.41
Capital Assets:			
Land and Construction in Progress	12,922,354.10		12,922,354.10
Other Capital Assets, Net of Depreciation	38,031,200.00	81,042.51	38,112,242.51
TOTAL ASSETS	<u>84,435,472.34</u>	<u>827,730.48</u>	<u>85,263,202.82</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	4,810,998.68		4,810,998.68
LIABILITIES :			
Accounts Payable	1,597,855.16	45,203.03	1,643,058.19
Unearned Revenue	9,390.00	79,815.87	89,205.87
Contracts and Benefits Payable	2,532,814.42	69,534.48	2,602,348.90
Noncurrent Liabilities:			
Due Within One Year	2,514,436.44		2,514,436.44
Due in More than One Year	29,317,005.22		29,317,005.22
TOTAL LIABILITIES	<u>35,971,501.24</u>	<u>194,553.38</u>	<u>36,166,054.62</u>
DEFERRED INFLOWS OF RESOURCES:			
Taxes Levied for a Future Period	8,340,523.25		8,340,523.25
Pension Related Deferred Inflows	6,210,259.68		6,210,259.68
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>14,550,782.93</u>		<u>14,550,782.93</u>
NET POSITION:			
Net Investment in Capital Assets	23,988,978.99	81,042.51	24,070,021.50
Restricted for:			
Capital Outlay	1,248,887.83		1,248,887.83
Special Education	90,154.08		90,154.08
Pension	162,519.60		162,519.60
Debt Service	5,018,710.06		5,018,710.06
SDRS Pension Purposes	3,962,876.92		3,962,876.92
Unrestricted	4,252,059.37	552,134.59	4,804,193.96
TOTAL NET POSITION	<u>\$ 38,724,186.85</u>	<u>\$ 633,177.10</u>	<u>\$ 39,357,363.95</u>

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

**BROOKINGS SCHOOL DISTRICT NO. 5-1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
Instruction	\$ 15,299,773.39	\$ 8,000.00	\$ 2,160,800.25	\$	\$(13,130,973.14)	\$	\$(13,130,973.14)
Support Services	8,666,966.09	324,825.86	439,326.28		(7,902,813.95)		(7,902,813.95)
Nonprogrammed Charges	263,868.69				(263,868.69)		(263,868.69)
*Interest on Long-term Debt	908,805.57			155,759.18	(753,046.39)		(753,046.39)
Cocurricular Activities	1,349,966.69	138,364.31	107,640.03		(1,103,962.35)		(1,103,962.35)
Total Governmental Activities	<u>26,489,380.43</u>	<u>471,190.17</u>	<u>2,707,766.56</u>	<u>155,759.18</u>	<u>(23,154,664.52)</u>		<u>(23,154,664.52)</u>
Business-type Activities:							
Food Service	1,532,091.30	920,457.84	680,885.21			69,251.75	69,251.75
ACT Preparation Course	7,908.17	8,504.79				596.62	596.62
Drivers Education Instruction	11,981.84	19,250.00				7,268.16	7,268.16
Summer Camps	40,523.54	40,592.00				68.46	68.46
Total Business-type Activities	<u>1,592,504.85</u>	<u>988,804.63</u>	<u>680,885.21</u>			<u>77,184.99</u>	<u>77,184.99</u>
① Total Primary Government	<u>\$ 28,081,885.28</u>	<u>\$ 1,459,994.80</u>	<u>\$ 3,388,651.77</u>	<u>\$ 155,759.18</u>	<u>(23,154,664.52)</u>	<u>77,184.99</u>	<u>(23,077,479.53)</u>
*The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.							
General Revenues:							
Taxes:							
Property Taxes							
					17,272,512.67		17,272,512.67
Utility Taxes							
					393,938.58		393,938.58
Revenue from State Sources:							
State Aid							
					7,994,965.15		7,994,965.15
Other							
					12,948.38		12,948.38
Unrestricted Investment Earnings							
					70,690.13	3,396.92	74,087.05
Other General Revenues							
					375,511.47		375,511.47
Transfers							
					(14,919.97)	14,919.97	(0.00)
Total General Revenues and Transfers							
					<u>26,105,646.41</u>	<u>18,316.89</u>	<u>26,123,963.30</u>
Change in Net Position							
					2,950,981.89	95,501.88	3,046,483.77
Net Position - Beginning							
					<u>32,893,868.28</u>	<u>537,675.22</u>	<u>33,431,543.50</u>
Prior Period Adjustment							
					<u>2,879,336.69</u>		<u>2,879,336.69</u>
Adjusted Net Position - Beginning							
					<u>35,773,204.97</u>	<u>537,675.22</u>	<u>36,310,880.19</u>
NET POSITION - ENDING							
					<u>\$ 38,724,186.85</u>	<u>\$ 633,177.10</u>	<u>\$ 39,357,363.95</u>

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

**BROOKINGS SCHOOL DISTRICT NO. 5-1
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>
ASSETS:			
Cash and Cash Equivalents	\$ 6,353,413.09	\$1,815,382.34	\$ 431,407.47
Cash with Fiscal Agent			
Taxes Receivable - Current	4,386,439.88	2,017,046.16	1,015,247.03
Taxes Receivable - Delinquent	10,944.83	3,966.82	1,978.23
Due from Other Governments	497,631.98	7,608.00	196,143.00
TOTAL ASSETS	<u><u>\$11,248,429.78</u></u>	<u><u>\$3,844,003.32</u></u>	<u><u>\$1,644,775.73</u></u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 190,818.29	\$ 578,069.33	\$ 28,509.94
Contracts Payable	1,490,557.57		364,351.67
Payroll Deductions and Withholdings and Employer Matching Payable	531,392.17		146,513.01
Unearned Revenue	9,390.00		
Total Liabilities	<u><u>2,222,158.03</u></u>	<u><u>578,069.33</u></u>	<u><u>539,374.62</u></u>
 Deferred Inflows of Resources:			
Taxes Levied for a Future Period	4,386,439.88	2,017,046.16	1,015,247.03
Unavailable Revenue-Property Taxes	10,944.83	3,966.82	1,978.23
Total Deferred Inflows of Resources	<u><u>4,397,384.71</u></u>	<u><u>2,021,012.98</u></u>	<u><u>1,017,225.26</u></u>
 Fund Balances:			
Restricted for:			
Capital Outlay		1,244,921.01	
Special Education			88,175.85
Pension			
Debt Service			
Assigned for:			
Unemployment	10,000.00		
Subsequent Year's Budget	1,190,880.00		
Unassigned	3,428,007.04		
Total Fund Balances	<u><u>4,628,887.04</u></u>	<u><u>1,244,921.01</u></u>	<u><u>88,175.85</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$11,248,429.78</u></u>	<u><u>\$3,844,003.32</u></u>	<u><u>\$1,644,775.73</u></u>

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

<u>Pension Fund</u>	<u>Middle School Bond Redemption Fund</u>	<u>Intermediate School Bond Redemption Fund</u>	<u>Elementary School Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$725,768.40	\$ 342,915.30	\$ 118,041.10	\$ 3,843,622.55	\$13,630,550.25
		4,556,469.41		4,556,469.41
201,704.75	488,125.11	231,960.32		8,340,523.25
396.66	812.20	472.05		18,570.79
				701,382.98
<u>\$927,869.81</u>	<u>\$ 831,852.61</u>	<u>\$4,906,942.88</u>	<u>\$ 3,843,622.55</u>	<u>\$27,247,496.68</u>
\$	\$	\$	\$ 738,200.62	\$ 1,535,598.18
				1,854,909.24
				677,905.18
				9,390.00
			738,200.62	4,077,802.60
201,704.75	488,125.11	231,960.32		8,340,523.25
396.66	812.20	472.05		18,570.79
<u>202,101.41</u>	<u>488,937.31</u>	<u>232,432.37</u>		<u>8,359,094.04</u>
			3,105,421.93	4,350,342.94
725,768.40				88,175.85
	342,915.30	4,674,510.51		725,768.40
				5,017,425.81
				10,000.00
				1,190,880.00
				3,428,007.04
<u>725,768.40</u>	<u>342,915.30</u>	<u>4,674,510.51</u>	<u>3,105,421.93</u>	<u>14,810,600.04</u>
<u>\$927,869.81</u>	<u>\$ 831,852.61</u>	<u>\$4,906,942.88</u>	<u>\$ 3,843,622.55</u>	<u>\$27,247,496.68</u>

**BROOKINGS SCHOOL DISTRICT NO. 5-1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total Fund Balances - Governmental Funds \$ 14,810,600.04

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.

Cost of Assets	\$71,408,058.83	
Accumulated Depreciation	<u>(20,454,504.73)</u>	50,953,554.10

The assets and liabilities of the Self-Insurance Internal Service Fund are included in the governmental activities in the Statement of Net Position. The Fund's net position is:

810,026.66

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:

General Obligation Bonds	(25,220,000.00)	
Capital Outlay Certificates	(4,515,000.00)	
Energy Efficiency Conservation Loan	(270,690.00)	
Early Retirement Benefits Payable	(563,645.46)	
Compensated Absences	(66,214.16)	
Other Postemployment Benefits	(1,131,585.00)	
Financing (Capital Acquisition) Lease	<u>(64,307.04)</u>	(31,831,441.66)

Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.

5,362,137.92

Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.

4,810,998.68

Pension related deferred inflows are components of pension liability and therefore are not reported in the funds.

(6,210,259.68)

Property taxes will be collected this year, but are not available soon enough to pay the current period's expenditures, and therefore are deferred in the funds.

18,570.79

Net Position - Governmental Funds

\$ 38,724,186.85

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

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BROOKINGS SCHOOL DISTRICT NO. 5-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>
Revenues:			
Revenue from Local Sources:			
Taxes:			
Ad Valorem Taxes	\$ 9,052,391.41	\$ 4,193,018.07	\$ 2,157,068.73
Prior Years' Ad Valorem Taxes	20,411.84	9,561.74	4,728.68
Utility Taxes	393,938.58		
Penalties and Interest on Taxes	13,158.37	4,106.88	2,102.96
Tuition and Fees:			
Regular Day School Tuition	8,000.00		
Other Transportation Fees	933.05		
Earnings on Investments and Deposits	23,799.76	6,310.04	1,026.70
Cocurricular Activities:			
Admissions	98,644.34		
Pupil Organization Memberships	14,954.00		
Other Pupil Activity Income	24,765.97		
Other Revenue from Local Sources:			
Rentals	1,340.42		
Contributions and Donations	333,873.03	150,000.00	
Refund of Prior Years' Expenditures	275.00		
Charges for Services	39,718.59		39,196.95
Services Provided Other LEAs			18,482.56
Refund of Prior Years' Expenditures			
Other	33,876.43	130.94	2,017.44
Revenue from Intermediate Sources:			
County Sources:			
County Apportionment	334,864.37		
Lease of County-Owned Land	1,671.08		
Revenue from State Sources:			
Grants-in-Aid:			
Unrestricted Grants-in-Aid	7,994,965.15		
Restricted Grants-in-Aid Received	34,500.00	7,608.00	1,052,128.00
Other State Revenue	1,000.00		11,948.38
Revenue from Federal Sources:			
Grants-in-Aid:			
Restricted Grants-in-Aid Received from Federal Government			
Through the State	500,931.00		628,726.53
Other Federal Revenue		155,759.18	
Total Revenue	<u>18,928,012.39</u>	<u>4,526,494.85</u>	<u>3,917,426.93</u>
Expenditures:			
Instruction:			
Regular Programs:			
Elementary	5,184,341.11	690,210.78	
Middle/Junior High	2,560,726.25	222,824.86	
High School	3,308,351.08	227,679.32	
Special Programs:			
Gifted	52,168.19		
Programs for Special Education		5,409.50	2,975,396.91
Culturally Different	146,626.14		
Educationally Deprived	317,206.85		
Other Special Programs	153,493.03		

<u>Pension Fund</u>	<u>Middle School Bond Redemption Fund</u>	<u>Intermediate School Bond Redemption Fund</u>	<u>Elementary School Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ 419,301.86	\$ 915,219.89	\$ 489,216.42	\$	\$ 17,226,216.38
964.30	1,823.92	1,133.83		38,624.31
402.58	812.00	487.44		393,938.58
				21,070.23
				8,000.00
				933.05
2,466.91	1,717.40	837.87	34,531.45	70,690.13
				98,644.34
				14,954.00
				24,765.97
				1,340.42
				483,873.03
				275.00
				78,915.54
				18,482.56
				36,024.81
				334,864.37
				1,671.08
				7,994,965.15
				1,094,236.00
				12,948.38
				1,129,657.53
				155,759.18
<u>423,135.65</u>	<u>919,573.21</u>	<u>491,675.56</u>	<u>34,531.45</u>	<u>29,240,850.04</u>
				5,874,551.89
				2,783,551.11
100,000.00				3,636,030.40
				52,168.19
				2,980,806.41
				146,626.14
				317,206.85
				153,493.03

BROOKINGS SCHOOL DISTRICT NO. 5-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015 (CONTINUED)

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>
Support Services - Pupils:			
Guidance	525,569.81		
Health	135,322.01		
Psychological			185,498.99
Speech Pathology			493,531.92
Audiology			3,185.13
Student Therapy Services			158,198.53
Support Services - Instructional Staff:			
Improvement of Instruction	340,287.68		15,479.38
Educational Media	549,399.41	982.59	
Support Services - General Administration:			
Board of Education	159,160.78		
Executive Administration	242,489.23	2,000.00	
Support Services - School Administration:			
Office of the Principal	1,140,445.16		
Other	1,010.59		
Support Services - Business:			
Fiscal Services	308,182.80	2,019.76	
Operation and Maintenance of Plant	2,288,059.28	845,548.36	
Pupil Transportation	439,140.03	21,686.25	
Internal Services		30,412.96	
Support Services - Central:			
Planning	9,282.81		
Information	8,599.00		
Staff	42,342.50		
Support Services - Special Education:			
Administrative Costs			156,302.77
Speech/Language Impairments			
Transportation Costs			139,210.96
Other Special Education Costs			26,433.05
Nonprogrammed Charges:			
Payments to State - Unemployment	2,238.69		
Pension Payments			
Debt Services		1,641,826.78	
Cocurricular Activities:			
Male Activities	186,530.98		
Female Activities	168,686.85		
Transportation	63,940.88		
Combined Activities	545,713.66	53,475.56	
Capital Outlay	6,500.00	1,051,301.14	
Total Expenditures	<u>18,885,814.80</u>	<u>4,795,377.86</u>	<u>4,153,237.64</u>
Excess of Revenue Over (Under)			
Expenditures	42,197.59	(268,883.01)	(235,810.71)
Other Financing Sources (Uses):			
Transfer In			54,729.29
Transfer Out	(69,649.26)	(400,000.00)	
General Long-term Debt Issued			
Premium on Refunding Debt			
Sale of Surplus Property	1,335.79		
Total Other Financing Sources (Uses)	<u>(68,313.47)</u>	<u>(400,000.00)</u>	<u>54,729.29</u>
Net Change in Fund Balances	(26,115.88)	(668,883.01)	(181,081.42)
Fund Balance - July 1, 2014	4,655,002.92	1,913,804.02	269,257.27
FUND BALANCE - JUNE 30, 2015	<u>\$ 4,628,887.04</u>	<u>\$ 1,244,921.01</u>	<u>\$ 88,175.85</u>

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

<u>Pension Fund</u>	<u>Middle School Bond Redemption Fund</u>	<u>Intermediate School Bond Redemption Fund</u>	<u>Elementary School Capital Projects Fund</u>	<u>Total Governmental Funds</u>
				525,569.81
				135,322.01
				185,498.99
				493,531.92
				3,185.13
				158,198.53
				355,767.06
				550,382.00
				159,160.78
				244,489.23
				1,140,445.16
				1,010.59
				310,202.56
				3,133,607.64
				460,826.28
				30,412.96
				9,282.81
				8,599.00
				42,342.50
				156,302.77
				-
				139,210.96
				26,433.05
				2,238.69
293,260.55				293,260.55
	1,273,915.00	527,663.75		3,443,405.53
				186,530.98
				168,686.85
				63,940.88
				599,189.22
			10,793,100.30	11,850,901.44
<u>393,260.55</u>	<u>1,273,915.00</u>	<u>527,663.75</u>	<u>10,793,100.30</u>	<u>40,822,369.90</u>
29,875.10	(354,341.79)	(35,988.19)	(10,758,568.85)	(11,581,519.86)
			400,000.00	454,729.29
				(469,649.26)
		4,485,000.00		4,485,000.00
		117,805.35		117,805.35
				1,335.79
		<u>4,602,805.35</u>	<u>400,000.00</u>	<u>4,589,221.17</u>
29,875.10	(354,341.79)	4,566,817.16	(10,358,568.85)	(6,992,298.69)
<u>695,893.30</u>	<u>697,257.09</u>	<u>107,693.35</u>	<u>13,463,990.78</u>	<u>21,802,898.73</u>
<u>\$ 725,768.40</u>	<u>\$ 342,915.30</u>	<u>\$ 4,674,510.51</u>	<u>\$ 3,105,421.93</u>	<u>\$ 14,810,600.04</u>

**BROOKINGS SCHOOL DISTRICT NO. 5-1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balances - Total Governmental Funds		\$ (6,992,298.69)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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 expense exceeds depreciation expense in the period.</p>		
Capital Outlays	\$ 11,850,901.44	
Depreciation Expense	<u>(1,388,608.99)</u>	10,462,292.45
<p>Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities:</p>		
General Obligation Bonds	995,000.00	
Capital Outlay Certificates	1,345,000.00	
Energy Efficiency Conservation Loan Payments	45,120.00	
Financing (Capital Acquisition) Lease	<u>31,674.61</u>	2,416,794.61
<p>When long-term debt is issued, it is reported as an other financing source in the fund financial statements but increases the liability in the government-wide financial statements.</p>		
		(4,485,000.00)
<p>Governmental funds do not reflect the change in accrued leave, retirement benefits, and other postemployment benefits, but the Statement of Activities reflects these changes through expenses.</p>		
Early Retirement Benefits	31,630.55	
Compensated Absences	4,545.50	
Other Postemployment Benefits	<u>(87,567.00)</u>	(51,390.95)
<p>Internal service funds are used by management to charge costs of certain activities such as dental insurance benefits to individual funds. The net revenue (expense) of the internal service funds is reported within the governmental activities.</p>		
		530,442.48
<p>Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds.</p>		
		1,083,540.24
<p>Governmental funds report property taxes as revenue when they meet the available criteria. Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Unavailable tax revenue increased by this amount this year.</p>		
		<u>(13,398.25)</u>
Change in Net Position of Governmental Activities		<u>\$ 2,950,981.89</u>

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

**BROOKINGS SCHOOL DISTRICT NO. 5-1
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015**

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Food Service Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Self-Insurance Fund</u>
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 659,744.13	\$ 68,453.58	\$ 728,197.71	\$ 872,283.64
Inventory of Supplies	5,105.22		5,105.22	
Inventory of Stores Purchased for Resale	13,385.04		13,385.04	
Total Current Assets	<u>678,234.39</u>	<u>68,453.58</u>	<u>746,687.97</u>	<u>872,283.64</u>
Capital Assets:				
Machinery and Equipment	284,774.76		284,774.76	
Less: Accumulated Depreciation	<u>(203,732.25)</u>		<u>(203,732.25)</u>	
Total Noncurrent Assets	<u>81,042.51</u>		<u>81,042.51</u>	
TOTAL ASSETS	<u>759,276.90</u>	<u>68,453.58</u>	<u>827,730.48</u>	<u>872,283.64</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	44,923.03	280.00	45,203.03	62,256.98
Contracts Payable	36,161.61	7,500.00	43,661.61	
Payroll Deductions and Withholdings and Employer Matching Payable	25,039.56	833.31	25,872.87	
Unearned Revenue	40,063.37	39,752.50	79,815.87	
Total Current Liabilities	<u>146,187.57</u>	<u>48,365.81</u>	<u>194,553.38</u>	<u>62,256.98</u>
NET POSITION:				
Net Investment in Capital Assets	81,042.51		81,042.51	
Unrestricted Net Position	<u>532,046.82</u>	<u>20,087.77</u>	<u>552,134.59</u>	<u>810,026.66</u>
Total Net Position	<u>\$ 613,089.33</u>	<u>\$ 20,087.77</u>	<u>\$ 633,177.10</u>	<u>\$ 810,026.66</u>

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

**BROOKINGS SCHOOL DISTRICT NO. 5-1
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Food Service Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Self-Insurance Fund</u>
Operating Revenue:				
Sales:				
To Pupils	\$ 689,126.05	\$	\$ 689,126.05	\$
To Adults	21,468.30		21,468.30	
A la Carte	205,898.35		205,898.35	
Non-credit Tuition		68,346.79	68,346.79	
Other Charges for Goods and Services	3,965.14		3,965.14	
Self Insurance Premiums				4,332,920.00
Total Operating Revenue	<u>920,457.84</u>	<u>68,346.79</u>	<u>988,804.63</u>	<u>4,332,920.00</u>
Operating Expenses:				
Salaries	463,808.91	47,169.84	510,978.75	
Employee Benefits	216,446.79	5,300.98	221,747.77	
Purchased Services	21,066.49		21,066.49	
Supplies	49,308.51	7,942.73	57,251.24	
Cost of Food Sales	772,192.95		772,192.95	
Self Insurance Costs				3,802,477.52
Depreciation	9,267.65		9,267.65	
Total Operating Expenses	<u>1,532,091.30</u>	<u>60,413.55</u>	<u>1,592,504.85</u>	<u>3,802,477.52</u>
Operating Income (Loss)	<u>(611,633.46)</u>	<u>7,933.24</u>	<u>(603,700.22)</u>	<u>530,442.48</u>
Nonoperating Revenue (Expense):				
Local Sources:				
Investment Earnings	3,396.92		3,396.92	
State Sources:				
Cash Reimbursements	8,907.07		8,907.07	
Federal Sources:				
Cash Reimbursements	508,496.24		508,496.24	
Donated Food	163,481.90		163,481.90	
Total Nonoperating Revenue (Expense)	<u>684,282.13</u>		<u>684,282.13</u>	
Income (Loss) Before Transfers	<u>72,648.67</u>	<u>7,933.24</u>	<u>80,581.91</u>	<u>530,442.48</u>
Transfer In	<u>14,919.97</u>		<u>14,919.97</u>	
Change in Net Position	<u>87,568.64</u>	<u>7,933.24</u>	<u>95,501.88</u>	<u>530,442.48</u>
Net Position - Beginning	<u>525,520.69</u>	<u>12,154.53</u>	<u>537,675.22</u>	<u>279,584.18</u>
NET POSITION - ENDING	<u>\$ 613,089.33</u>	<u>\$ 20,087.77</u>	<u>\$ 633,177.10</u>	<u>\$ 810,026.66</u>

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

**BROOKINGS SCHOOL DISTRICT NO. 5-1
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Enterprise Funds			Internal Service Fund
	Food Service Fund	Other Enterprise Funds	Total	Self-Insurance Fund
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 918,597.70	\$ 72,729.29	\$ 991,326.99	\$
Cash Receipts for Interfund Services Provided				4,332,920.00
Payments to Suppliers for Goods and Services	(639,146.88)	(8,406.55)	(647,553.43)	(168,758.74)
Payments to Employees	(670,395.79)	(50,991.70)	(721,387.49)	
Other Receipts and (Disbursements)				(3,802,477.52)
Net Cash Provided (Used) by Operating Activities	<u>(390,944.97)</u>	<u>13,331.04</u>	<u>(377,613.93)</u>	<u>361,683.74</u>
Cash Flows from Noncapital Financing Activities:				
Transfer	14,919.97		14,919.97	
Operating Subsidies	517,403.31		517,403.31	
Net Cash Provided (Used) from Noncapital Financing Activities	<u>532,323.28</u>		<u>532,323.28</u>	
Cash Flows from Capital and Related Financing Activities:				
Purchase of Capital Assets	<u>(29,612.03)</u>		<u>(29,612.03)</u>	
Cash Flows from Investing Activities:				
Interest Earnings	<u>3,396.92</u>		<u>3,396.92</u>	
Net Increase in Cash and Cash Equivalents	<u>\$ 115,163.20</u>	<u>\$ 13,331.04</u>	<u>\$ 128,494.24</u>	<u>\$ 361,683.74</u>
Cash and Cash Equivalents at Beginning of Year	\$ 544,580.93	\$ 55,122.54	\$ 599,703.47	\$ 510,599.90
Cash and Cash Equivalents at End of Year	<u>659,744.13</u>	<u>68,453.58</u>	<u>728,197.71</u>	<u>872,283.64</u>
Net Increase in Cash and Cash Equivalents	<u>\$ 115,163.20</u>	<u>\$ 13,331.04</u>	<u>\$ 128,494.24</u>	<u>\$ 361,683.74</u>
RECONCILIATION OF OPERATING INCOME				
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	\$(611,633.46)	\$ 7,933.24	\$(603,700.22)	\$ 530,442.48
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	9,267.65		9,267.65	
Value of Commodities Used	163,481.90		163,481.90	
Change in Assets and Liabilities:				
Inventories	(3,022.13)		(3,022.13)	
Accounts and Other Payables	42,961.30	(463.82)	42,497.48	(168,758.74)
Accrued Payables	9,859.91	1,479.12	11,339.03	
Unearned Revenue	(1,860.14)	4,382.50	2,522.36	
Net Cash Provided (Used) by Operating Activities	<u>(390,944.97)</u>	<u>\$ 13,331.04</u>	<u>(377,613.93)</u>	<u>\$ 361,683.74</u>
Noncash Investing, Capital and Financing Activities:				
Value of Commodities Received	\$ 163,481.90			

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

**BROOKINGS SCHOOL DISTRICT NO. 5-1
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	Private-Purpose Trust Funds	Agency Funds
ASSETS:		
Cash and Cash Equivalents	\$ 47,306.55	\$ 147,155.21
Investments	297,500.00	
Accounts Receivable		3,142.25
TOTAL ASSETS	344,806.55	150,297.46
LIABILITIES:		
Accounts Payable		
Amounts Held for Others		150,297.46
Total Liabilities		\$ 150,297.46
NET POSITION		
Held in Trust for Scholarships	\$ 344,806.55	

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

**BROOKINGS SCHOOL DISTRICT NO. 5-1
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Private-Purpose Trust Funds
ADDITIONS:	
Interest Income	\$ 6,697.99
Other Additions	20,650.10
Total Additions	27,348.09
 DEDUCTIONS:	
Trust Deductions for Scholarships	30,740.00
Total Deductions	30,740.00
Change in Net Position	(3,391.91)
Net Position - Beginning	348,198.46
NET POSITION - ENDING	\$ 344,806.55

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

BROOKINGS SCHOOL DISTRICT NO. 5-1
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity

The reporting entity of Brookings School District No 5-1, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

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

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

Governmental Funds:

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

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

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

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

Debt Service Funds – Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Bond Redemption Funds – Funds established by SDCL 13-16-13 whereby taxes levied are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The 2007 General Obligation Bond payments are made from the Intermediate School Bond Fund and the 2009 General Obligation Refunding Bond payments are made from the Middle School Bond Fund. These are major funds.

Capital Projects Funds – 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 and trust funds).

The Elementary School Capital Projects Fund is the only capital projects fund maintained by the School District. This is not a major fund.

Proprietary Funds:

Enterprise Funds – enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any

one of the following criteria is met.

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

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

Other Enterprise Fund – A fund used to record financial transactions related to driver's education instruction, Summer Camps and ACT Preparation Courses. This fund is financed by user charges. This is a major fund.

Internal Service Funds – are used to report activities that provide goods or services to other funds, departments, or agencies of the School District and its component units, or to other governments, on a cost-reimbursement basis. Internal Service Funds are never considered to be major funds.

The Self-Insurance Dental Fund is the only Internal Service Fund maintained by the School District.

Fiduciary Funds:

Fiduciary funds consist of the following subcategories and are never considered to be major funds:

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

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

c. Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Brookings School District No. 5-1, the length of that cycle is 45 days. The revenues that were accrued at June 30, 2015 are amounts due from other governments for utility taxes, grants, and accounts receivable from various sources.

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

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

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

d. Interfund Eliminations and Reclassifications

Government-wide Financial Statements:

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

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

2. In order to minimize the doubling-up effect on internal service fund activity, certain “centralized expenses” including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or

fund. When expenses are charged in this manner, expense reductions occur in the General Fund, so that expenses are reported only in the function to which they relate.

e. Deposits and Investments:

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

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

f. Capital Assets

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

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

Government-wide Statements:

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

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 4.04 percent for which the costs were determined by estimates of the original costs. The total June 30, 2015 balance for capital assets for business-type activities includes approximately 0.66 percent for which the costs were determined by estimates of the original costs. These estimated original costs were established by deflated current replacement cost.

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

	Capitalization		Estimated Useful
	Threshold	Depreciation	Life
Land	\$ 100.00	NA	NA
Buildings	25,000.00	Straight Line	5-50 yrs.
Improvements	25,000.00	Straight Line	5-40 yrs.
Machinery and Equipment	5,000.00	Straight Line	5-15 yrs.
Food Service	5,000.00	Straight Line	12 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

g. Long-Term Liabilities

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of compensated absences, early retirement benefits payable, capital outlay certificates payable, other postemployment benefits, energy efficiency conservation block grant loan, capital lease payable, and general obligation bonds payable.

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

h. Program Revenues

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

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

i. Proprietary Funds Revenue and Expense Classifications

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

j. Cash and Cash Equivalents

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

k. Equity Classifications

Government-wide Statements:

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

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

Fund Financial Statements:

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

l. Application of Net Position

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

m. Deferred Inflows and Deferred Outflows of Resources:

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

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

n. Fund Balance Classification Policies and Procedures

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the school board.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

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

**BROOKINGS SCHOOL DISTRICT NO. 5-1
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Middle School Bond Redemption Fund	Intermediate School Bond Redemption Fund	Elementary School Capital Projects Fund	Total Governmental Funds
Fund Balances:								
<i>Restricted for:</i>								
Capital Outlay	\$	\$ 1,244,921.01	\$	\$	\$	\$	\$	\$ 1,244,921.01
Special Education			88,175.85					88,175.85
Pension				725,768.40				725,768.40
Debt Service Requirements					342,915.30	4,674,510.51		5,017,425.81
Capital Projects							3,105,421.93	3,105,421.93
<i>Assigned to:</i>								
Unemployment	10,000.00							10,000.00
Subsequent Year's Budget	1,190,880.00							1,190,880.00
<i>Unassigned</i>	<u>3,428,007.04</u>							<u>3,428,007.04</u>
Total Fund Balances	<u>\$4,628,887.04</u>	<u>\$ 1,244,921.01</u>	<u>\$ 88,175.85</u>	<u>\$ 725,768.40</u>	<u>\$ 342,915.30</u>	<u>\$ 4,674,510.51</u>	<u>\$ 3,105,421.93</u>	<u>\$ 14,810,600.04</u>

o. Pensions

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

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

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

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

Investments - In general, SDCL 4-5-6 permits school funds to be invested 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 that investments shall 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.

Following are the investment policies of the school district regarding the various risks the investments are exposed to:

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.

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.

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer. The School District does not have any investments with an external investment pool as of June 30, 2015.

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

NOTE 3 – RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. No allowance for estimated uncollectible accounts has been established, as the school district believes that all receivables are ultimately collectible.

NOTE 4 – INVENTORY

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

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

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

NOTE 5 – PROPERTY TAXES

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is 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."

NOTE 6 – CHANGES IN CAPITAL ASSETS

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

Primary Government

	Balance <u>July 1, 2014</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2015</u>
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 963,389.51	\$	\$	\$ 963,389.51
Construction Work in Progress	1,678,311.05	11,195,669.48	915,015.94	11,958,964.59
Total Assets not being depreciated	<u>2,641,700.56</u>	<u>11,195,669.48</u>	<u>915,015.94</u>	<u>12,922,354.10</u>
Capital Assets, being depreciated:				
Buildings	49,657,577.51	840,889.59		50,498,467.10
Improvements Other than Buildings	2,976,304.12	78,684.50		3,054,988.62
Machinery and Equipment	3,514,129.14	603,388.50	275,336.81	3,842,180.83
Library Books	1,087,747.58	47,285.31	44,964.71	1,090,068.18
Total Assets, being depreciated	<u>57,235,758.35</u>	<u>1,570,247.90</u>	<u>320,301.52</u>	<u>58,485,704.73</u>
Less Accumulated Depreciation:				
Buildings	14,221,825.66	1,006,404.50		15,228,230.16
Improvements Other than Buildings	1,715,072.38	124,863.10		1,839,935.48
Machinery and Equipment	2,578,415.09	202,837.98	275,336.81	2,505,916.26
Library Books	870,884.13	54,503.41	44,964.71	880,422.83
Total Accumulated Depreciation	<u>19,386,197.26</u>	<u>1,388,608.99</u>	<u>320,301.52</u>	<u>20,454,504.73</u>
Total Capital Assets, being depreciated, net	<u>37,849,561.09</u>	<u>181,638.91</u>		<u>38,031,200.00</u>
Governmental activities capital assets, net	<u>\$ 40,491,261.65</u>	<u>\$ 11,377,308.39</u>	<u>\$ 915,015.94</u>	<u>\$ 50,953,554.10</u>

**Depreciation expense was charged to functions as follows:

Governmental Activities:				
Instruction				\$ 742,827.38
Support Services				314,162.85
Co-Curricular				331,618.76
Total Depreciation expense-governmental activities				<u>\$ 1,388,608.99</u>

Business-Type Activity:

	Balance <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2015</u>
Capital Assets, being depreciated:				
Machinery and Equipment	\$ 255,162.73	\$ 29,612.03	\$	\$ 284,774.76
Less Accumulated Depreciation:				
Machinery and Equipment	194,464.60	9,267.65		203,732.25
Business-type activity capital assets, net	<u>\$ 60,698.13</u>	<u>\$ 20,344.38</u>	<u>\$</u>	<u>\$ 81,042.51</u>

**Depreciation expense was charged to functions as follows:

Business-type Activity				
Food Service				<u>\$ 9,267.65</u>

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

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended Thru 6/30/15</u>	<u>Committed</u>
K-3 Building Project (Dakota Prairie)	\$ 14,318,862.24	\$ 11,958,964.59	\$ 2,359,897.65

NOTE 7 – LONG-TERM LIABILITIES

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

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>	<u>Due within One Year</u>
Primary Government:					
Governmental Activities:					
Capital Outlay Certificates	\$ 5,860,000	\$	\$ (1,345,000)	\$ 4,515,000	\$ 1,005,000
General Obligation Bonds	21,730,000	4,485,000	(995,000)	25,220,000	1,040,000
Energy Efficiency and Conservation Block Grant Loan	315,810		(45,120)	270,690	45,120
Early Retirement Payable	595,276	261,630	(293,260)	563,646	326,109
Compensated Absences	70,760	66,214	(70,760)	66,214	66,214
Other Postemployment Benefits	1,044,018	265,567	(178,000)	1,131,585	
Capital Lease Payable	95,982		(31,675)	64,307	31,993
Total Governmental Activities	\$ 29,711,846	\$ 5,078,411	\$ (2,958,815)	\$ 31,831,442	\$ 2,514,436

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

During fiscal year 2015 the School District issued \$4,485,000 in General Obligation Crossover Partial Advance Refunding Bonds with an average interest rate of 2.413% to refund the following:

<u>Year Issued</u>	<u>Project</u>	<u>Average Interest Rate</u>	<u>Unpaid Principal at Time of Refunding</u>
2007	Intermediate School	4.0877%	\$ 4,380,000.00

The School District refunded the debt to reduce its total debt service payments over the next 13 years by \$315,131.28 and to obtain an economic gain of \$279,696.72.

The entire crossover refunding proceeds of \$4,556,469.41 from the General Obligation Refunding Bonds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service requirements of the refunded debt. As of June 30, 2015, the School District had \$4,556,469.41 on deposit with the escrow agent in this irrevocable trust to retire \$4,380,000.00 of old debt still outstanding, which will be defeased on July 1, 2017.

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

General Obligation Bonds:

Series 2007 – Bonds dated July 1, 2007; Interest rates at 3.625% to 4.125%, depending on length to maturity; final maturity is July 1, 2027; payments to be made semi-annually from the Intermediate School Bond Redemption Fund. \$ 4,990,000.00

Series 2015 Crossover Partial Advance Refunding – Bonds dated February 19, 2015; Interest rates at 2.00% to 3.00%, Final maturity is June 30, 2028; payments made semi-annually from the Intermediate School Bond Redemption Fund. 4,485,000.00

Series 2009 – Bonds dated February 19, 2009; Interest rates at 3.00%, Final maturity is January 1, 2016; payments made semi-annually from the Middle School Bond Redemption Fund. 750,000.00

Series 2013 - Bonds dated December 26, 2013, interest rates at 3.30 to 4.350%, depending on length to maturity,. Final maturity is July 1, 2034; payments made semi-annually from the Elementary School Bond Redemption Fund 10,000,000.00

Series 2014 - Bonds dated January 15, 2014, interest rates at 1.350 to 3.300%, depending on length to maturity. Final maturity is July 1, 2025; payments made semi-annually from the Elementary School Bond Redemption Fund 4,995,000.00

Capital Outlay Certificates:

Series 2003 – Capital Outlay Certificates dated May 30, 2007; Interest rates at 3.75% to 4.00%, depending on length to maturity; final maturity is July 1, 2017; payments made from the Capital Outlay Fund. 580,000.00

Series 2010 – Capital Outlay Certificates dated May 11, 2010; Interest rates at 1.65% to 4.95% depending on length to maturity; Final maturity July 1, 2020; Payments made from the Capital Outlay Fund. 3,250,000.00

Series 2014 - Capital Outlay Certificates dated June 12, 2014; interest rates at .400 to 2.600%, depending on length to maturity.; final maturity is January 1, 2024. Payments from the Capital Outlay Fund 685,000.00

Energy Efficiency and Conservation Block Grant Loan:

Dated June 13, 2011; Interest rates at 0%; Final maturity July 1, 2021; Payments made annually from the Capital Outlay Fund. 270,690.00

Early Retirement:

Payments to be made to employees who elected early retirement; Payments being made by the Pension Fund and the General Fund. 563,645.46

Compensated Absences:

Payments for vested accrued vacation leave from the fund from which the employee is generally compensated. 66,214.16

Other Postemployment Benefits:

Obligations to individuals who are retired or will retire from the school district and who will receive postemployment benefits. Payments are to be made from the General Fund. 1,131,585.00

Capital Lease Payable:

Capital Lease is due monthly through June 12, 2017. Interest imputed at 1% per annum. Payments are to be made from the Capital Outlay Fund. 64,307.04

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

	<u>Copier</u>
Principal	\$ 127,447.35
Interest	<u>2,510.73</u>
Total	<u>\$ 129,958.08</u>

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

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

Year Ending	General Obligation Bonds		Capital Outlay Certificates		EECBG Loan
	Principal	Interest	Principal	Interest	Principal
2016	\$ 1,040,000	\$ 628,778	\$ 1,005,000	\$ 178,917	\$ 45,120
2017	5,190,000	617,528	1,020,000	141,042	45,120
2018	920,000	610,912	725,000	101,555	45,120
2019	975,000	594,350	725,000	71,674	45,120
2020	1,025,000	574,850	725,000	40,249	45,120
2021-2025	5,875,000	1,496,679	315,000	15,709	45,090
2026-2030	5,570,000	1,561,252			
2031-2035	4,625,000	503,850			
Totals	<u>\$ 25,220,000</u>	<u>\$ 6,588,199</u>	<u>\$ 4,515,000</u>	<u>\$ 549,146</u>	<u>\$ 270,690</u>

Year Ending	Early Retirement	Capital Lease Payable		Total	
	Principal	Principal	Interest	Principal	Interest
2016	\$ 326,109	\$ 31,993	\$ 497	\$ 2,448,222	\$ 808,192
2017	171,856	32,314	175	6,459,290	758,745
2018	65,680			1,755,800	712,467
2019				1,745,120	666,024
2020				1,795,120	615,099
2021-2025				6,235,090	1,512,388
2026-2030				5,570,000	1,561,252
2031-2035				4,625,000	503,850
Totals	<u>\$ 563,645</u>	<u>\$ 64,307</u>	<u>\$ 672</u>	<u>\$ 30,633,642</u>	<u>\$ 7,138,017</u>

NOTE 8 – OPERATING LEASES

The School District leases various copy machines. These operating leases include maintenance and repairs and the monthly payments of \$2,534.50 are made from the Capital Outlay Fund.

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

<u>Year</u>	<u>Amount</u>
2016	\$ 30,414.00
2017	30,414.00

NOTE 9 – RESTRICTED NET POSITION

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

<u>Major Purposes:</u>	<u>Restricted by</u>	<u>Amount</u>
Capital Outlay Purposes	Law	\$ 1,248,887.83
Special Education Purposes	Law	90,154.08
Pension Purposes	Law	162,519.60
Debt Service Purposes	Debt Covenants	5,018,710.06
SDRS Pension Purposes	Law	<u>3,962,876.92</u>
Total Restricted Net Position		<u>\$ 10,483,148.49</u>

NOTE 10 – PRIOR PERIOD ADJUSTMENT

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

Net Position July 1, 2014, as previously reported	\$ 1,007,405.52
Restatement for pension accounting:	
Net Pension Asset	2,098,425.87
Pension related Deferred Outflows of Resources	<u>857,045.53</u>
Net Position July 1, 2014, as restated	<u>\$ 3,962,876.92</u>

NOTE 11 – INTERFUND TRANSFERS

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

<u>Transfers From:</u>	<u>Transfers to:</u>	
	<u>General Fund</u>	<u>Capital Outlay Fund</u>
Major Funds:		
Special Education Fund	\$ 54,729.29	\$
Elementary School		
Capital Projects Fund		400,000.00
Food Service Fund	14,919.97	

During FY2015, a transfer of \$400,000 was made to the Elementary School Capital Projects Fund from Capital Outlay to help fund projects authorized. Also, transfers of monies to fund salaries in the special education fund and food service fund were made during FY2015 from the general fund.

NOTE 12 – PENSION PLAN

Plan Information:

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

Benefits Provided:

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2015, 2014, and 2013 were \$857,045.53, \$780,910.81, and \$752,140.00, respectively, equal to the required contributions each year.

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

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

Proportionate share of net position restricted for pension benefits	\$ 78,948,506.38
Less proportionate share of total pension assets	<u>73,586,368.46</u>
Proportionate share of net pension asset	<u>\$ 5,362,137.92</u>

At June 30 2015, the School District reported an asset of \$5,362,137.92 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014 and the total pension asset used to calculate the net pension asset was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2014, the School District's proportion was .7442668%, which is an increase of .7442668% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension revenue of \$226,494.71. At June 30, 2015 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 453,709.37	\$
Changes in assumption	3,500,243.78	
Net difference between projected and actual earnings on pension plan investments		6,210,259.68
District contributions subsequent to the measurement date	<u>857,045.53</u>	
TOTAL	<u>\$ 4,810,998.68</u>	<u>\$ 6,210,259.68</u>

\$857,045.53 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:

2015	\$ (426,082.54)
2016	(426,082.54)
2017	(426,082.54)
2018	<u>(978,058.91)</u>
TOTAL	<u>\$ (2,256,306.53)</u>

Actuarial Assumptions:

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

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

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 5,298,800.82	\$ (5,362,137.92)	\$ (14,057,246.22)

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 – POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description: Brookings School District has a single-employer defined benefit medical plan administered by Sanford Health of South Dakota. This plan provides medical insurance benefits to eligible current employees, as well as retirees meeting eligibility requirements. After eligibility for retiree benefits is established, retirees must pay premiums until they are eligible for Medicare. The liability exists because of an implicit subsidy of costs of the benefits to retirees of the district. Milliman Inc. issues an actuarial report that includes required supplementary information. That report may be obtained by writing to the Brookings School District, 2130 – 8th Street S., Brookings, SD 57006 or by calling 605-696-4700.

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

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

Annual required contribution	\$ 269,047
Interest on net OPEB obligation	31,321
Adjustment to annual required contribution	<u>(34,801)</u>
Annual OPEB cost (expense)	265,567
Contributions made	<u>(178,000)</u>
Increase in net OPEB obligation	87,567
Net OPEB obligation - beginning of year	1,044,018
Net OPEB obligation - end of year	<u>\$ 1,131,585</u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	263,890.00	58.0%	932,785.00
6/30/2014	257,233.00	56.8%	1,044,018.00
6/30/2015	265,567.00	67.0%	1,131,585.00

Funded Status and Funding Progress: As of July 1, 2013, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$2,518,391, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,518,391.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined

regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2013 actuarial valuation, the Unit Credit Actuarial Cost Method (with attribution through all years of employment) was used to allocate the cost of benefits to years of active service. The objective under this method is to expense each participant's benefit under the plan proportional to the service rendered. At the time the funding method is introduced, there will be a liability, which represents the contributions, which would have accumulated if this method of funding had always been used (called the Actuarial Liability). The difference between the actuarial liability and the assets, if any, is the unfunded actuarial liability, which is typically amortized over a period of years. The maximum permissible years, under GASB 45, is 30.

NOTE 14 – RISK MANAGEMENT

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

Employee Health Insurance

The School District purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance

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

Worker's Compensation

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

Unemployment Benefits

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

The School District has assigned equity in the General Fund in the amount of \$10,000.00 for the payment of future unemployment benefits.

During the year ended June 30, 2015, three to five claims were filed for unemployment benefits. These claims resulted in the payments of benefits in the amount of \$2,238.69. At June 30, 2015, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

NOTE 15 – EARLY RETIREMENT PLAN

The district maintains an early retirement plan for certified teachers and administrators. The plan is available to employees who choose early retirement between ages 58-62 and have at least 10 years of continuous service with the district and twelve years of service in education as a teacher. Under the plan, the district will pay 80% of the employee's current annual salary, payable in 3-5 annual installments following retirement. The district uses the expected future benefit payment amounts as the method for disclosure. During fiscal year 2015, 20 employees participated in the early retirement plan. The amount paid for such benefits during the year was \$293,260.55.

NOTE 16 – PAYMENTS MADE BY STATE FOR BENEFIT OF DISTRICT

Brookings School District recognized \$34,500.00 of revenues and expenditures in the General Fund, resulting from salaries and fringe benefits paid for teacher training directly by the State of South Dakota.

NOTE 17 – SIGNIFICANT CONTINGENCIES - LITIGATION

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

**REQUIRED SUPPLEMENTARY INFORMATION
BROOKINGS SCHOOL DISTRICT NO. 5-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 8,750,000.00	\$ 8,900,000.00	\$ 9,052,391.41	\$ 152,391.41
Prior Years' Ad Valorem Taxes	15,000.00	15,000.00	20,411.84	5,411.84
Utility Taxes	390,000.00	390,000.00	393,938.58	3,938.58
Penalties and Interest on Taxes	10,000.00	10,000.00	13,158.37	3,158.37
Tuition and Fees:				
Regular Day School Tuition	10,000.00	10,000.00	8,000.00	(2,000.00)
Other Transportation Fees			933.05	933.05
Earnings on Investments/Deposits	20,000.00	20,000.00	23,799.76	3,799.76
Cocurricular Activities:				
Admissions	77,000.00	87,000.00	98,644.34	11,644.34
Pupil Organization Memberships	16,000.00	16,000.00	14,954.00	(1,046.00)
Other Pupil Activity Income	24,500.00	24,500.00	24,765.97	265.97
Other Revenue from Local Sources:				
Rentals	4,000.00	4,000.00	1,340.42	(2,659.58)
Donations	305,500.00	305,500.00	333,873.03	28,373.03
Judgements			275.00	275.00
Charges for Services	110,000.00	110,000.00	39,718.59	(70,281.41)
Other	80,000.00	100,000.00	33,876.43	(66,123.57)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	300,000.00	300,000.00	334,864.37	34,864.37
Lease of County-Owned Land			1,671.08	1,671.08
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	8,154,770.00	8,154,770.00	7,994,965.15	(159,804.85)
Restricted Grants-in-Aid			34,500.00	34,500.00
Other State Revenue	3,000.00	3,000.00	1,000.00	(2,000.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid received from Federal Government Through the State	528,645.00	528,645.00	500,931.00	(27,714.00)
Total Revenue	<u>18,798,415.00</u>	<u>18,978,415.00</u>	<u>18,928,012.39</u>	<u>(50,402.61)</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary School	5,135,423.00	5,190,423.00	5,184,341.11	6,081.89
Middle/Junior High	2,622,996.00	2,624,496.00	2,567,226.25	57,269.75
High School	3,482,030.00	3,482,030.00	3,308,351.08	173,678.92
Special Programs:				
Gifted and Talented	65,790.00	65,790.00	52,168.19	13,621.81
Culturally Different	151,235.00	151,235.00	146,626.14	4,608.86
Educationally Deprived	344,380.00	344,380.00	317,206.85	27,173.15
Other Special Programs	156,665.00	156,665.00	153,493.03	3,171.97

**REQUIRED SUPPLEMENTARY INFORMATION
BROOKINGS SCHOOL DISTRICT NO. 5-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Support Services:				
Pupils:				
Guidance	529,702.00	529,702.00	525,569.81	4,132.19
Health	130,800.00	136,155.00	135,322.01	832.99
Support Services - Instructional Staff:				
Improvement of Instruction	302,830.00	309,830.00	340,287.68	(30,457.68)
Educational Media	620,972.00	620,972.00	549,399.41	71,572.59
Support Services - General Administration:				
Board of Education	135,965.00	178,465.00	159,160.78	19,304.22
Executive Administration	228,395.00	228,395.00	242,489.23	(14,094.23)
Support Services - School Administration:				
Office of the Principal	1,128,185.00	1,139,185.00	1,140,445.16	(1,260.16)
Other	6,500.00	6,500.00	1,010.59	5,489.41
Support Services - Business:				
Fiscal Services	319,500.00	319,500.00	308,182.80	11,317.20
Operation/Maintenance of Plant	2,435,350.00	2,435,350.00	2,288,059.28	147,290.72
Pupil Transportation	418,845.00	438,845.00	439,140.03	(295.03)
Support Services - Central:				
Planning	7,000.00	9,500.00	9,282.81	217.19
Information	12,000.00	12,000.00	8,599.00	3,401.00
Staff	28,000.00	42,500.00	42,342.50	157.50
Nonprogrammed Charges:				
Payments to State - Unemployment	7,500.00	7,500.00	2,238.69	5,261.31
Cocurricular Activities:				
Male Activities	189,575.00	189,575.00	186,530.98	3,044.02
Female Activities	166,180.00	169,680.00	168,686.85	993.15
Transportation	50,620.00	63,620.00	63,940.88	(320.88)
Combined Activities	516,000.00	545,950.00	545,713.66	236.34
Contingencies	100,000.00	4,195.00		4,195.00
Total Expenditures	<u>19,292,438.00</u>	<u>19,402,438.00</u>	<u>18,885,814.80</u>	<u>516,623.20</u>
Excess of Revenue Over (Under)				
Expenditures	(494,023.00)	(424,023.00)	42,197.59	466,220.59
Other Financing Sources:				
Transfers Out		(70,000.00)	(69,649.26)	350.74
Sale of Surplus Property			1,335.79	1,335.79
Total Other Financing Sources (Uses)		<u>(70,000.00)</u>	<u>(68,313.47)</u>	<u>1,686.53</u>
Net Change in Fund Balances	(494,023.00)	(494,023.00)	(26,115.88)	467,907.12
Fund Balance - July 1, 2014	<u>4,655,002.92</u>	<u>4,655,002.92</u>	<u>4,655,002.92</u>	
FUND BALANCE - JUNE 30, 2015	<u>\$4,160,979.92</u>	<u>\$4,160,979.92</u>	<u>\$4,628,887.04</u>	<u>\$ 467,907.12</u>

**REQUIRED SUPPLEMENTARY INFORMATION
BROOKINGS SCHOOL DISTRICT NO. 5-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$4,129,000.00	\$4,193,000.00	\$4,193,018.07	\$ 18.07
Prior Years' Ad Valorem Taxes	6,000.00	9,500.00	9,561.74	61.74
Penalties and Interest on Taxes	3,000.00	3,000.00	4,106.88	1,106.88
Earnings on Investments and Deposits	10,000.00	10,000.00	6,310.04	(3,689.96)
Other Revenue from Local Sources:				
Contributions and Donations			150,000.00	150,000.00
Other			130.94	130.94
Revenue from State Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid		7,600.00	7,608.00	8.00
Revenue from Federal Sources:				
Other Federal Revenue	<u>168,025.00</u>	<u>168,025.00</u>	<u>155,759.18</u>	<u>(12,265.82)</u>
Total Revenue	<u>4,316,025.00</u>	<u>4,391,125.00</u>	<u>4,526,494.85</u>	<u>135,369.85</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	482,850.00	533,850.00	690,210.78	(156,360.78)
Middle/Junior High	39,050.00	42,050.00	227,974.86	(185,924.86)
High School	57,300.00	61,900.00	227,679.32	(165,779.32)
Special Programs:				
Special Education	5,500.00	5,500.00	5,409.50	90.50
Support Services - Instructional Staff:				
Educational Media	655,440.00	670,440.00	48,267.90	622,172.10
Support Services - General Administration:				
Executive Administration	2,500.00	2,500.00	2,000.00	500.00
Support Services - Business:				
Fiscal Services	2,500.00	2,500.00	2,019.76	480.24
Operation and Maintenance of Plant	1,464,750.00	1,694,750.00	1,646,812.53	47,937.47
Pupil Transportation	220,000.00	220,000.00	219,287.91	712.09
Internal Services	64,000.00	64,000.00	30,412.96	33,587.04
Debt Services	1,609,470.00	1,609,470.00	1,641,826.78	(32,356.78)
Cocurricular Activities:				
Combined Activities	<u>53,650.00</u>	<u>53,650.00</u>	<u>53,475.56</u>	<u>174.44</u>
Total Expenditures	<u>4,657,010.00</u>	<u>4,960,610.00</u>	<u>4,795,377.86</u>	<u>165,232.14</u>
Excess of Revenue Over (Under)				
Expenditures	(340,985.00)	(569,485.00)	(268,883.01)	300,601.99
Other Financing Sources:				
Transfers Out		<u>(400,000.00)</u>	<u>(400,000.00)</u>	
Total Other Financing Sources (Uses)		<u>(400,000.00)</u>	<u>(400,000.00)</u>	
Net Change in Fund Balances	(340,985.00)	(969,485.00)	(668,883.01)	300,601.99
Fund Balance - July 1, 2014	<u>1,913,804.02</u>	<u>1,913,804.02</u>	<u>1,913,804.02</u>	
FUND BALANCE - JUNE 30, 2015	<u>\$1,572,819.02</u>	<u>\$ 944,319.02</u>	<u>\$1,244,921.01</u>	<u>\$ 300,601.99</u>

**REQUIRED SUPPLEMENTARY INFORMATION
BROOKINGS SCHOOL DISTRICT NO. 5-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$2,068,510.00	\$2,101,510.00	\$2,157,068.73	\$ 55,558.73
Prior Years' Ad Valorem Taxes	4,000.00	4,000.00	4,728.68	728.68
Penalties and Interest on Taxes	1,500.00	1,500.00	2,102.96	602.96
Earnings on Investments/Deposits	1,500.00	1,500.00	1,026.70	(473.30)
Other Revenue from Local Sources:				
Services Provided to Other LEA's	30,000.00	30,000.00	18,482.56	(11,517.44)
Charges for services	47,500.00	47,500.00	39,196.95	(8,303.05)
Other			2,017.44	2,017.44
Revenue from State Sources:				
Restricted Grant in Aid	886,355.00	886,355.00	1,052,128.00	165,773.00
Other State Revenue	14,000.00	14,000.00	11,948.38	(2,051.62)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received Federal Government through State	632,995.00	632,995.00	628,726.53	(4,268.47)
Total Revenue	<u>3,686,360.00</u>	<u>3,719,360.00</u>	<u>3,917,426.93</u>	<u>198,066.93</u>
Expenditures:				
Special Programs:				
Programs for Special Education	3,149,560.00	3,194,060.00	2,975,396.91	218,663.09
Support Services:				
Pupils:				
Psychological	170,995.00	185,995.00	185,498.99	496.01
Speech Pathology	451,575.00	494,575.00	493,531.92	1,043.08
Audiology Services		3,500.00	3,185.13	314.87
Student Therapy Services	151,895.00	158,895.00	158,198.53	696.47
Support Services - Instructional Staff:				
Improvement of Instruction	8,000.00	17,500.00	15,479.38	2,020.62
Support Services - Special Education:				
Administrative Costs	171,605.00	171,605.00	156,302.77	15,302.23
Transportation Costs	162,555.00	162,555.00	139,210.96	23,344.04
Other Special Educaiton Costs		10,000.00	26,433.05	(16,433.05)
Total Expenditures	<u>4,266,185.00</u>	<u>4,398,685.00</u>	<u>4,153,237.64</u>	<u>245,447.36</u>
Excess of Revenue Over (Under)				
Expenditures	(579,825.00)	(679,325.00)	(235,810.71)	443,514.29
Other Financing Sources:				
Transfers In			54,729.29	54,729.29
Net Change in Fund Balance	(579,825.00)	(679,325.00)	(181,081.42)	498,243.58
Fund Balance - July 1, 2014	<u>269,257.27</u>	<u>269,257.27</u>	<u>269,257.27</u>	
FUND BALANCE - JUNE 30, 2015	<u>\$ (310,567.73)</u>	<u>\$ (410,067.73)</u>	<u>\$ 88,175.85</u>	<u>\$498,243.58</u>

**REQUIRED SUPPLEMENTARY INFORMATION
 BROOKINGS SCHOOL DISTRICT NO. 5-1
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 PENSION FUND
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 405,000.00	\$ 405,000.00	\$ 419,301.86	\$ 14,301.86
Prior Years' Ad Valorem Taxes	750.00	750.00	964.30	214.30
Penalties and Interest on Taxes	250.00	250.00	402.58	152.58
Earnings on Investments/Deposits	<u>2,500.00</u>	<u>2,500.00</u>	<u>2,466.91</u>	<u>(33.09)</u>
Total Revenue	<u>408,500.00</u>	<u>408,500.00</u>	<u>423,135.65</u>	<u>14,635.65</u>
Expenditures:				
Instruction:				
Regular Programs:				
High School	100,000.00	100,000.00	100,000.00	
Nonprogrammed Charges:				
Pension Payments	<u>294,600.00</u>	<u>294,600.00</u>	<u>293,260.55</u>	<u>1,339.45</u>
Total Expenditures	<u>394,600.00</u>	<u>394,600.00</u>	<u>393,260.55</u>	<u>1,339.45</u>
Net Change in Fund Balances	13,900.00	13,900.00	29,875.10	15,975.10
Fund Balance - July 1, 2014	<u>695,893.30</u>	<u>695,893.30</u>	<u>695,893.30</u>	
FUND BALANCE - JUNE 30, 2015	<u>\$ 709,793.30</u>	<u>\$ 709,793.30</u>	<u>\$ 725,768.40</u>	<u>\$ 15,975.10</u>

**REQUIRED SUPPLEMENTARY INFORMATION
 BROOKINGS SCHOOL DISTRICT NO. 5-1
 SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
 FOR THE YEAR ENDED JUNE 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AL) - Unit Credit (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2008	\$ 0.00	\$ 3,018,540	\$ 3,018,540	0.0%	\$ 9,529,452	31.68%
7/1/2011	0.00	2,220,925	2,220,925	0.0%	11,669,681	19.03%
7/1/2013	0.00	2,518,391	2,518,391	0.0%	10,505,954	23.97%

Schedule of Required Supplementary Information
BROOKINGS SCHOOL DISTRICT NO. 5-1
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY (ASSET)
South Dakota Retirement System

	2015
District's proportion of the net pension liability (asset)	0.7442668%
District's proportionate share of net pension liability (asset)	\$ (5,362,138)
District's covered-employee payroll	\$ 13,013,698
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.3%

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

Schedule of Required Supplementary Information
BROOKINGS SCHOOL DISTRICT NO. 5-1
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS
South Dakota Retirement System

	<u>2014</u>	<u>2015</u>
Contractually required contribution	<u>\$ 780,911</u>	<u>\$ 857,046</u>
Contributions in relation to the contractually required contribution	<u>\$ 780,911</u>	<u>\$ 857,046</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>
District's covered-employee payroll	\$13,013,698	\$14,272,837
Contributions as a percentage of covered-employee payroll	6.00%	6.00%

BROOKINGS SCHOOL DISTRICT NO. 5-1
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
And for each major Special Revenue Fund with a legally required budget

NOTE 1 – BUDGET AND BUDGETARY ACCOUNTING

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

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

NOTE 2 – GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

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

**BROOKINGS SCHOOL DISTRICT NO. 5-1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Expenditures Amount 2015</u>
U.S. Department of Agriculture:		
Pass Through the SD Department of Education:		
Child Nutrition Cluster:		
Non-cash Assistance (Commodities)		
National School Lunch Program	10.555	\$ 169,516.19
Cash Assistance: (Note 2)		
School Breakfast Program	10.553	80,252.28
National School Lunch Program	10.555	<u>428,243.96</u>
Total U.S. Department of Agriculture		<u>678,012.43</u>
 National Science Foundation:		
Pass Through the SD Department of Education:		
Office of Experimental Programs to Stimulate Competitive Research (EPSCOR)	47.081	9,000.00
 U.S. Department of Education:		
Pass Through the SD Department of Education:		
Title I Grants to Local Educational Agencies	84.010	317,207.00
Special Education Cluster: (Note 3)		
Special Education - Grants to States	84.027	610,705.53
Special Education - Preschool Grants	84.173	<u>18,021.00</u>
Total Special Education Cluster		<u>628,726.53</u>
Career and Technical Education - Basic Grants to States	84.048	30,947.00
Education for Homeless Children and Youth	84.196	3,815.00
English Language Acquisition State Grants-Title III Online Course	84.365A	2,200.00
Improving Teacher Quality State Grants	84.367	<u>137,762.00</u>
Total U.S. Department of Education		<u>1,120,657.53</u>
 Grand Total		<u>\$ 1,807,669.96</u>

BROOKINGS SCHOOL DISTRICT NO. 5-1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015
(continued)

NOTE 1: The accompanying Schedule of Expenditures of Federal awards includes the federal grant activity of Brookings School District, and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of State, Local Governments, and Non-Profit Organizations." Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: Federal reimbursements are not based on specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

NOTE 3: This represents a major federal financial assistance program.

QUAM & BERGLIN, P.C.

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

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

School Board
Brookings School District No. 5-1
Brookings County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Brookings School District No. 5-1, Brookings County, South Dakota (School District), as of June 30, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 29, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Brookings 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 Brookings School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we

do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Quam & Berglin, P.C.

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

December 29, 2015

QUAM & BERGLIN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

110 WEST MAIN – P.O. BOX 426

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

School Board
Brookings School District No. 5-1
Brookings County, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Brookings School District No. 5-1, Brookings County, South Dakota compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2015. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Brookings School District No.5-1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Brookings School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Brookings School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Brookings School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

Quam & Berglin, P.C.

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

December 29, 2015

**BROOKINGS SCHOOL DISTRICT NO. 5-1
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

PRIOR FEDERAL AUDIT FINDING:

The prior audit report contained no written federal audit findings.

PRIOR OTHER AUDIT FINDINGS:

The prior audit report contained no written other audit findings.

**BROOKINGS SCHOOL DISTRICT NO. 5-1
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:

Financial Statements

- a. An unmodified opinion was issued on the financial statements of each opinion unit.
- b. No material weaknesses or significant deficiencies were disclosed by our audit of the financial statements.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards

- d. An unmodified opinion was issued on compliance with the requirements applicable to the major programs.
- e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a).
- f. The federal awards tested as major programs were:

<u>Pass-Through the SD Department of Education:</u>	<u>CFDA#</u>
Special Education Cluster	
IDEA Part B	84.027
IDEA Preschool	84.173

- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- h. The district qualified as a low-risk auditee.

**BROOKINGS SCHOOL DISTRICT NO. 5-1
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

CURRENT FEDERAL AUDIT FINDINGS:

There are no written current federal compliance audit findings to report.

CURRENT OTHER AUDIT FINDINGS:

There are no written current other audit findings to report.