CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
OF BRULE COUNTY

AUDIT REPORT

FISCAL YEAR JULY 1, 2014, TO JUNE 30, 2015

Schoenfish & Co., Inc.
CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2015

BOARD MEMBERS:

Jay Blum, President
Dallas Thompson, Vice-President
Casey Hutmacher
Foster Iversen
Leanne Larson
Annette Priebe
Rebecca Reimer

SUPERINTENDENT:

Dr. Debra Johnson

BUSINESS MANAGER:

Holly Nagel

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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
Chamberlain School District No. 7-1
Brule 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 Chamberlain School District No. 7-1, 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 November 20, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2015-001 to be a material weakness.

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*.

School District's Response to Findings

The School District's response to the findings identified in our audit is described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Schoenfish & Co., Inc.

Schoenfish & Co., Inc.
Certified Public Accountants
November 20, 2015

Schoenfish & Co., Inc.

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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
Chamberlain School District No. 7-1
Brule County, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Chamberlain School District No. 7-1, South Dakota (School District) 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, the Chamberlain School District No. 7-1 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 the 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 the 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 the School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2015-001 to be a material weakness.

The School District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Schoenfish & Co., Inc.

Schoenfish & Co., Inc.
Certified Public Accountants
November 20, 2015

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Prior Federal Compliance Audit Findings:

Prior Finding Number 2014-001:

A material weakness was reported for a lack of segregation of duties for revenues.

Corrective Action Plan:

This prior audit comment has not been corrected and is restated under current audit findings and questioned costs as number 2015-001.

Prior Other Audit Findings:

No other prior other audit findings were found except for the lack of segregation of duties for revenues as discussed in the prior federal compliance audit finding number 2014-001.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Summary of the Independent Auditor's Results:

Financial Statements:

a. An unqualified opinion was issued on the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

b. A material weakness was disclosed during the audit of the financial statements and for internal control for a lack of segregation of duties for revenues as discussed in finding number 2015-001.

c. Our audit did not disclose noncompliance which was material to the financial statements.

Federal Awards:

d. A material weakness was disclosed for internal control over major federal programs for a lack of segregation of duties affecting the other compliance requirement category as discussed in finding number 2015-001.

e. An unqualified opinion was issued on compliance with the requirements applicable to major programs.

f. 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) except for the material weakness resulting from the lack of segregation of duties for revenues as discussed in finding number 2015-001.

g. The federal awards tested as major programs were:

1. Title I Grants to Local Educational Agencies	CFDA No. 84.010
2. Impact Aid – Title VIII of ESEA	CFDA No. 84.041

h. The dollar threshold used to distinguish between Type A and Type B federal award programs was $300,000.

i. Chamberlain School District No. 7-1 did not qualify as a low-risk entity.

CURRENT FEDERAL COMPLIANCE AUDIT FINDINGS

Internal Control Over Revenues:

Finding Number 2015-001:
A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This finding affects the reporting compliance category and applies to the Title I Grants to Local Educational Agencies, CFDA No. 84.010; and Impact Aid, CFDA No. 84.041. This is a continuing comment.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS (Continued)

Criteria:
Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Condition:
A limited number of employees process all revenue transactions from beginning to end. They also receive money, issue receipts, record receipts, post receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare financial statements.

Effect:
As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

Recommendation:
1. We recommend that the Chamberlain School District officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever, possible and practical.

Corrective Action Plan:
The Chamberlain School District Board President, Jay Blum, is responsible for the corrective action plan for this comment. This comment is due to the size of the Chamberlain School District, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are attempting to provide compensating controls.

CURRENT OTHER AUDIT FINDINGS

Compliance – Related Findings – Material Weaknesses:

Finding Number 2015-002:
Expenditures exceeded the amounts budgeted in the General Fund. This is the first audit in which a similar weakness has occurred.

Criteria:
SDCL 13-11-2 states in part, "the school board shall prepare a proposed budget for the next fiscal year according to the budgeting standards prescribed by the auditor general for consideration not later than the regular meeting the month of May.....Before October first, every school shall approve a budget for the anticipated obligations of each fund, except trust and agency funds, for the school fiscal year."

Condition:
The School District expended money in excess of amounts budgeted without amending the budget as allowed by SDCL 13-11-3.2.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS (Continued)

Effect:
Without amending the budget or limiting expenditures, expenditures are being made without proper authority.

Recommendation:
2. We recommend that expenditures be limited to amounts budgeted or budget amendments be made in accordance with SDCL 13-11-3.2 to allow for expenditures.

Corrective Action Plan:
The Chamberlain School District Board President, Jay Blum, is responsible for the corrective action plan for this comment. The School will be more careful to follow the budgetary guidelines prescribed by law.

CLOSING CONFERENCE

The audit was discussed with the officials during the course of the audit and with the Board President, Superintendent, and Business Manager and Assistant Business Manager on October 2, 2015.

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INDEPENDENT AUDITOR'S REPORT

School Board
Chamberlain School District No. 7-1
Brule 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 Chamberlain School District No. 7-1, South Dakota, (School District) as of June 30, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Chamberlain School District No. 7-1 as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard.

As described in Note 12 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 Note 12 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 this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the School District's Contributions on pages 43 through 48, 51, and 52, respectively, 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.

The School District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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 November 20, 2015 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

Schoenfish & Co., Inc.
Certified Public Accountants
November 20, 2015

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
STATEMENT OF NET POSITION
As of June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	6,161,902.87	120,104.60	6,282,007.47
Investments		26,142.07	26,142.07
Taxes Receivable	1,803,435.71		1,803,435.71
Other Assets	608,537.34	4,288.38	612,825.72
Inventories	49,694.00	750.30	50,444.30
Net Pension Asset	2,084,417.87		2,084,417.87
Capital Assets:			
Land and Construction in Progress	530,126.23		530,126.23
Other Capital Assets, Net of Depreciation	5,061,831.00	71,276.34	5,133,107.34
TOTAL ASSETS	16,299,945.02	222,561.69	16,522,506.71
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	1,847,617.47		1,847,617.47
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,847,617.47	0.00	1,847,617.47
LIABILITIES :			
Accounts Payable	38,847.43		38,847.43
Other Current Liabilities	799,266.34	3,578.92	802,845.26
Unearned Revenue		11,353.89	11,353.89
TOTAL LIABILITIES	838,113.77	14,932.81	853,046.58
DEFERRED INFLOWS OF RESOURCES:			
Taxes Levied for Future Period	1,785,619.00		1,785,619.00
Pension Related Deferred Inflows	2,414,107.29		2,414,107.29
TOTAL DEFERRED INFLOWS OF RESOURCES	4,199,726.29	0.00	4,199,726.29
NET POSITION:			
Net Investment in Capital Assets	5,591,957.23	71,276.34	5,663,233.57
Restricted for:			
Capital Outlay Purposes	2,256,319.42		2,256,319.42
Special Education Purposes	225,610.88		225,610.88
Pension Purposes	197,925.33		197,925.33
SDRS Pension Purposes	1,517,928.05		1,517,928.05
Unrestricted (Deficit)	3,319,981.52	136,352.54	3,456,334.06
TOTAL NET POSITION	13,109,722.43	207,628.88	13,317,351.31

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

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
Instruction	5,317,081.55		1,938,025.47		(3,379,056.08)		(3,379,056.08)
Support Services	3,015,272.65		48,065.40	15,550.00	(2,951,657.25)		(2,951,657.25)
Nonprogrammed Charges	94,609.02				(94,609.02)		(94,609.02)
Cocurricular Activities	358,763.30	40,920.81			(317,842.49)		(317,842.49)
Total Governmental Activities	8,785,726.52	40,920.81	1,986,090.87	15,550.00	(6,743,164.84)		(6,743,164.84)
Business-type Activities:							
Food Service	401,933.11	154,320.77	257,457.57			9,845.23	9,845.23
Driver's Education	4,245.50	7,595.00				3,349.50	3,349.50
Daycare	146,990.84	37,970.42	100,797.00			(8,223.42)	(8,223.42)
Total Business-type Activities	553,169.45	199,886.19	358,254.57	0.00		4,971.31	4,971.31
Total Primary Government	9,338,895.97	240,807.00	2,344,345.44	15,550.00	(6,743,164.84)	4,971.31	(6,738,193.53)
General Revenues:							
Taxes:							
Property Taxes					3,747,196.73		3,747,196.73
Utility Taxes					304,147.33		304,147.33
Revenue from State Sources:							
State Aid					2,848,148.58		2,848,148.58
Revenue from Federal Sources					777,008.83		777,008.83
Unrestricted Investment Earnings					4,768.84		4,768.84
Other General Revenues					316,617.35		316,617.35
Transfers					(39,899.23)	39,899.23	0.00
Total General Revenues and Transfers					7,957,988.43	39,899.23	7,997,887.66
Change in Net Position					1,214,823.59	44,870.54	1,259,694.13
Net Position - Beginning					14,166,050.07	144,824.78	14,310,874.85
Adjustments (See Note 12):							
Correction to Prior Capital Assets					(3,390,432.51)	17,933.56	(3,372,498.95)
Implementation of GASB 68					1,119,281.28		1,119,281.28
Restated Net Position - Beginning					11,894,898.84	162,758.34	12,057,657.18
NET POSITION - ENDING					13,109,722.43	207,628.88	13,317,351.31

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

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	3,319,611.36	2,251,643.08	356,386.85	197,711.96	6,125,353.25
Advanced Payments	15,000.00				15,000.00
Taxes Receivable--Current	773,600.21	613,685.46	337,045.10	61,288.23	1,785,619.00
Taxes Receivable--Delinquent	10,698.62	4,676.34	2,228.38	213.37	17,816.71
Due from Other Government	572,198.34		36,339.00		608,537.34
Inventory of Supplies	49,694.00				49,694.00
TOTAL ASSETS	4,740,802.53	2,870,004.88	731,999.33	259,213.56	8,602,020.30
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	19,085.89		19,761.54		38,847.43
Contracts Payable	498,036.54		108,550.06		606,586.60
Payroll Deductions and Withholdings and Employer Matching Payable	151,647.99		41,031.75		192,679.74
Total Liabilities	668,770.42	0.00	169,343.35	0.00	838,113.77
Deferred Inflows of Resources:					
Unavailable Revenue--Property Taxes	10,698.62	4,676.34	2,228.38	213.37	17,816.71
Taxes Levied for Future Period	773,600.21	613,685.46	337,045.10	61,288.23	1,785,619.00
Total Deferred Inflows of Resources	784,298.83	618,361.80	339,273.48	61,501.60	1,803,435.71
Fund Balances:					
Nonspendable:					
Inventory	49,694.00				49,694.00
Restricted:					
Capital Outlay		2,251,643.08			2,251,643.08
Special Education			223,382.50		223,382.50
Pension				197,711.96	197,711.96
Unassigned	3,238,039.28				3,238,039.28
Total Fund Balances	3,287,733.28	2,251,643.08	223,382.50	197,711.96	5,960,470.82
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	4,740,802.53	2,870,004.88	731,999.33	259,213.56	8,602,020.30

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

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2015

Total Fund Balances - Governmental Funds	5,960,470.82
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	2,084,417.87
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	5,591,957.23
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	1,847,617.47
Assets such as taxes receivable that are not available to pay for the current period expenditures, are deferred in the funds.	17,816.71
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	(2,414,107.29)
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	21,549.62
Net Position - Governmental Activities	13,109,722.43

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

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Revenues:					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	1,612,572.49	1,290,310.39	685,869.27	128,162.29	3,716,914.44
Prior Years' Ad Valorem Taxes	8,296.58	4,352.85	2,092.38	425.10	15,166.91
Utility Taxes	304,147.33				304,147.33
Penalties and Interest on Taxes	1,086.01	1,088.99	4,200.98	769.69	7,145.67
Earnings on Investments and Deposits	4,768.84				4,768.84
Cocurricular Activities:					
Admissions	40,920.81				40,920.81
Other Revenue from Local Sources:					
Rentals	10,407.00				10,407.00
Charges for Services	24,364.14		23,701.26		48,065.40
Other	139,236.71		2,850.00		142,086.71
Revenue from Intermediate Sources:					
County Sources:					
County Apportionment	76,078.56				76,078.56
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid	2,848,148.58				2,848,148.58
Restricted Grants-in-Aid	12,750.00		482,365.00		495,115.00
Revenue from Federal Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid Received Directly from Federal Government	664,354.05		112,538.78		776,892.83
Unrestricted Grants-in-Aid Received from Federal Government Through State	116.00				116.00
Restricted Grants-in-Aid Received from Federal Government Through the State	1,245,728.00	15,550.00	197,182.47		1,458,460.47
Total Revenue	6,992,975.10	1,311,302.23	1,510,800.14	129,357.08	9,944,434.55

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

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Expenditures:					
Instruction:					
Regular Programs:					
Elementary	1,548,196.78	102,079.08			1,650,275.86
Middle/Junior High	290,366.05	3,654.93			294,020.98
High School	1,316,882.88	25,118.07			1,342,000.95
Other Regular Programs	14,385.81				14,385.81
Special Programs:					
Programs for Special Education			1,035,028.10		1,035,028.10
Educationally Deprived	1,004,474.70				1,004,474.70
Support Services:					
Pupils:					
Attendance and Social Work	14,834.30				14,834.30
Guidance	119,238.35				119,238.35
Health	41,706.04				41,706.04
Speech Pathology			118,926.29		118,926.29
Student Therapy Services			27,024.00		27,024.00
Instructional Staff:					
Improvement of Instruction	146,581.66				146,581.66
Educational Media	179,576.06	211,536.02			391,112.08
General Administration:					
Board of Education	59,390.89				59,390.89
Executive Administration	155,502.53				155,502.53
School Administration:					
Office of the Principal	295,943.53				295,943.53
Title I Program Administration	63,613.05				63,613.05
Other	666.62				666.62
Business:					
Fiscal Services	146,747.65	522.98	4,000.00		151,270.63
Facilities Acquisition and Construction		53,990.24			53,990.24
Operation and Maintenance of Plant	830,737.93	20,910.80			851,648.73
Pupil Transportation	362,871.91	34,450.00			397,321.91
Food Services		27,599.22			27,599.22

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

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Expenditures (Cont.):					
Support Services (Continued):					
Special Education:					
Administrative Costs			124,547.71		124,547.71
Transportation Costs			5,940.94		5,940.94
Other Special Education Costs			75,074.00		75,074.00
Nonprogrammed Charges:					
Early Retirement Payments				94,609.02	94,609.02
Cocurricular Activities:					
Male Activities	101,110.39				101,110.39
Female Activities	65,915.42				65,915.42
Transportation	60,000.00				60,000.00
Combined Activities	73,044.49	39,453.00			112,497.49
Capital Outlay		436,544.74			436,544.74
Total Expenditures	6,891,787.04	955,859.08	1,390,541.04	94,609.02	9,332,796.18
Excess of Revenue Over (Under) Expenditures	101,188.06	355,443.15	120,259.10	34,748.06	611,638.37
Other Financing Sources:					
Transfers In			100,000.00		100,000.00
Transfers Out	(115,000.00)				(115,000.00)
Total Other Financing Sources (Uses)	(115,000.00)	0.00	100,000.00	0.00	(15,000.00)
Net Change in Fund Balances	(13,811.94)	355,443.15	220,259.10	34,748.06	596,638.37
Fund Balance - Beginning	3,301,545.22	1,896,199.93	3,123.40	162,963.90	5,363,832.45
FUND BALANCE - ENDING	3,287,733.28	2,251,643.08	223,382.50	197,711.96	5,960,470.82

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

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
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	596,638.37
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	436,544.74
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	(224,976.00)
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".	7,969.71
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (Pension Revenue)	88,045.08
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (Pension Expense)	310,601.69
Change in Net Position of Governmental Activities	1,214,823.59

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

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of June 30, 2015

	Enterprise Funds			
	Food Service Fund	Driver's Ed./ Daycare Fund	Totals	Unemployment Insurance Fund
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	98,772.62	21,331.98	120,104.60	21,549.62
Investments	26,142.07		26,142.07	
Accounts Receivable, Net	2,062.38		2,062.38	
Due from Other Government		2,226.00	2,226.00	
Inventory of Donated Food	750.30		750.30	
Total Current Assets	127,727.37	23,557.98	151,285.35	21,549.62
Noncurrent Assets:				
Capital Assets:				
Machinery and Equipment--Local Funds	178,818.20		178,818.20	
Less: Accumulated Depreciation	(107,541.86)		(107,541.86)	
Total Noncurrent Assets	71,276.34	0.00	71,276.34	0.00
TOTAL ASSETS	199,003.71	23,557.98	222,561.69	21,549.62
LIABILITIES:				
Current Liabilities:				
Contracts Payable		2,693.10	2,693.10	
Payroll Deductions and Withholdings and Employer Matching Payable		885.82	885.82	
Unearned Revenue	11,353.89		11,353.89	
TOTAL LIABILITIES	11,353.89	3,578.92	14,932.81	0.00
NET POSITION:				
Net Investment in Capital Assets	71,276.34		71,276.34	
Unrestricted Net Position	116,373.48	19,979.06	136,352.54	21,549.62
TOTAL NET POSITION	187,649.82	19,979.06	207,628.88	21,549.62

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

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Enterprise Funds			
	Food Service Fund	Driver's Ed./ Daycare Fund	Totals	Unemployment Insurance Fund
Operating Revenue:				
Food Sales:				
Student	131,827.34		131,827.34	
Adults	12,972.05		12,972.05	
Other Charges for Goods and Services:				
Food Service	9,521.38		9,521.38	
Driver's Education		7,595.00	7,595.00	
Daycare		37,970.42	37,970.42	
Total Operating Revenue	154,320.77	45,565.42	199,886.19	0.00
Operating Expenses:				
Food Service:				
Purchased Services	354,736.58		354,736.58	
Supplies	925.77		925.77	
Cost of Sales - Donated	22,584.47		22,584.47	
Other	15,887.42		15,887.42	
Depreciation	7,798.87		7,798.87	
Driver's Education		4,245.50	4,245.50	
Daycare		146,990.84	146,990.84	
Total Operating Expenses	401,933.11	151,236.34	553,169.45	0.00
Operating Income (Loss)	(247,612.34)	(105,670.92)	(353,283.26)	0.00
Nonoperating Revenue:				
State Grants	2,420.01		2,420.01	
Federal Grants	235,591.68	100,797.00	336,388.68	
Donated Food	19,445.88		19,445.88	
Total Nonoperating Revenue	257,457.57	100,797.00	358,254.57	0.00
Income (Loss) Before Contributions and Transfers	9,845.23	(4,873.92)	4,971.31	0.00
Capital Contributions	24,899.23		24,899.23	
Transfers In		15,000.00	15,000.00	
Change in Net Position	34,744.46	10,126.08	44,870.54	0.00
Net Position - Beginning	134,971.80	9,852.98	144,824.78	21,549.62
Adjustments:				
Correction to Prior Capital Assets	17,933.56		17,933.56	
Adjusted Net Position - Beginning	152,905.36	9,852.98	162,758.34	21,549.62
NET POSITION - ENDING	187,649.82	19,979.06	207,628.88	21,549.62

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

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Enterprise Funds			
	Food Service Fund	Driver's Education/ Daycare Fund	Totals	Unemployment Insurance Fund
Cash Flows from Operating Activities:				
Cash Receipts from Customers	155,613.12	45,565.42	201,178.54	
Cash Payments to Employees for Services		(102,535.93)	(102,535.93)	
Cash Payments to Suppliers of Goods and Services	(371,549.77)	(48,579.49)	(420,129.26)	
Net Cash Provided (Used) by Operating Activities	(215,936.65)	(105,550.00)	(321,486.65)	0.00
Cash Flows from Noncapital Financing Activities:				
Transfers from General Fund		15,000.00	15,000.00	
Operating Grants	238,011.69	103,567.00	341,578.69	
Net Cash Provided (Used) from Noncapital Financing Activities	238,011.69	118,567.00	356,578.69	0.00
Net Increase (Decrease) in Cash and Cash Equivalents	22,075.04	13,017.00	35,092.04	0.00
Cash and Cash Equivalents at Beginning of Year	102,839.65	8,314.98	111,154.63	21,549.62
CASH AND CASH EQUIVALENTS AT END OF YEAR	124,914.69	21,331.98	146,246.67	21,549.62
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	(247,612.34)	(105,670.92)	(353,283.26)	0.00
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	7,798.87		7,798.87	
Value of Donated Commodities Used	22,584.47		22,584.47	
Change in Assets and Liabilities:				
Receivables	(2,062.38)		(2,062.38)	
Accrued Wages Payable		120.92	120.92	
Unearned Revenue	3,354.73		3,354.73	
Net Cash Provided (Used) by Operating Activities	(215,936.65)	(105,550.00)	(321,486.65)	0.00
Noncash Investing, Capital and Financing Activities:				
Value of Commodities Received	19,445.88		19,445.88	

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

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
STATEMENT OF NET POSITON
FIDUCIARY FUNDS
As of June 30, 2015

	Private-Purpose Trust Funds	Agency Funds
ASSETS:		
Cash and Cash Equivalents		83,604.21
Investments, at Fair Value	101,538.07	71,480.71
TOTAL ASSETS	101,538.07	155,084.92
LIABILITIES:		
Amounts Held for Others		155,084.92
TOTAL LIABILITIES	0.00	155,084.92
NET POSITION		
Held in Trust for Scholarships	101,538.07	
TOTAL NET POSITION	101,538.07	

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

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2015

	Private-Purpose Trust Funds
ADDITIONS:	
Contributions and Donations	9,450.51
Total Additions	9,450.51
DEDUCTIONS:	
Trust Deductions for Scholarships	21,900.13
Total Deductions	21,900.13
Change in Net Position	(12,449.62)
Net Position - Beginning	113,987.69
NET POSITION - ENDING	101,538.07

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

NOTES TO THE FINANCIAL STATEMENTS

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 Chamberlain School District No. 7-1 (School District) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds, may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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 is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

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

Fund Financial Statements:

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

Governmental Funds:

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

Special Revenue Fund Types – special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

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

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

Proprietary Funds:

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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.

Driver's Education/Daycare Fund – A fund used to record financial transactions related to the driver's education and daycare operations. This fund is financed by user charges and grants. This is a major fund.

Internal Service Funds – Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies or to other governments, on a cost-reimbursement basis. Internal Service Funds are never considered to be major funds.

The Unemployment Fund is the only Internal Service Fund maintained by the School District.

Fiduciary Funds:

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

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

Scholarship funds for the benefit of students.

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

Custodial funds for classes and clubs.

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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental 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 all the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Chamberlain School District No. 7-1, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2015, are grants and utility taxes from the state government.

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 revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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.

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables are reported as Nonspendable Fund Balance to the extent that the proceeds from the collection of those receivables are not Restricted, Committed, or Assigned. Current portions of interfund receivables are considered "available spendable resources" and are reported in the appropriate fund balance category.

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 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. Donated capital assets are valued at their estimated fair value on the date donated.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	$ 0.00	-----N/A------	-------N/A-------
Improvements	$ 10,000.00	Straight-line	15-25 yrs.
Buildings	$ 50,000.00	Straight-line	50 yrs.
Machinery & Equipment	$ 300.00	Straight-line	5-20 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the 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. Program Revenues:

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

1. Charges for services – These arise from charges to customers, applications, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.

2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Proprietary Funds Revenue and Expense Classifications:

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

i. Cash and Cash Equivalents:

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

j. Equity Classifications:

Government-wide 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.

k. Application of Net Position:

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

l. 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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

- 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 Business Manager.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

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

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

Major Special Revenue Fund:	Revenue Source:
Capital Outlay Fund	Property Taxes and Grants
Special Education Fund	Property Taxes and Grants
Pension Fund	Property Taxes

m. 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 SDSR'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.

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The School District is prohibited by statute from spending in excess of appropriated amounts at the fund level. The following represents the significant overdrafts of the expenditures compared to appropriations:

	Year Ended 6/30/2015
General Fund	$172,537.04

The Governing Board plans to take the following actions to address these violations: use supplemental budgets when legal authority allows.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

3. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

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

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

Credit Risk – State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – The School District places no limit on the amount that may be invested in any one issuer.

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from deposits and investments to the General Fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund should be reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings should be reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These transfers were not done for fiscal year 2015 due to the amounts being deemed immaterial.

4. 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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

5. INVENTORY

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

In the Government-wide 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 fund financial statements, inventories in the General Fund, special revenue funds, and proprietary funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed.

6. PROPERTY TAXES

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

7. CHANGES IN CAPITAL ASSETS

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

Primary Government:	Balance 07/01/2014	Increases	Adjustments/ Decreases	Balance 06/30/2015
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	217,000.00			217,000.00
Construction Work in Progress	0.00	304,077.14	9,049.09	313,126.23
Total, not being depreciated	217,000.00	304,077.14	9,049.09	530,126.23
Capital Assets, being depreciated:				
Buildings	11,211,539.00	60,972.07	(4,052,378.07)	7,220,133.00
Improvements	353,667.00		(282,275.00)	71,392.00
Machinery & Equipment	3,946,401.00	71,495.53	(3,118,124.53)	899,772.00
Total, being depreciated	15,511,607.00	132,467.60	(7,452,777.60)	8,191,297.00
Less Accumulated Depreciation for:				
Buildings	(4,075,221.00)	(148,489.00)	1,792,802.00	(2,430,908.00)
Improvements	(46,398.00)	(1,428.00)	10,694.00	(37,132.00)
Machinery & Equipment	(2,836,167.00)	(75,059.00)	2,249,800.00	(661,426.00)
Total Accumulated Depreciation	(6,957,786.00)	(224,976.00)	4,053,296.00	(3,129,466.00)
Total Capital Assets, being depreciated, net	8,553,821.00	(92,508.40)	(3,399,481.60)	5,061,831.00
Governmental Activity Capital Assets, Net	8,770,821.00	211,568.74	(3,390,432.51)	5,591,957.23

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	132,196.00
Support Services	73,540.00
Co-curricular Activities	19,240.00
Total Depreciation Expense - Governmental Activities	224,976.00

	Balance 07/01/2014	Increases	Adjustments	Balance 06/30/2015
Business-Type Activities:				
Capital Assets, being depreciated:				
Machinery & Equipment	136,613.48	24,899.23	17,305.49	178,818.20
Less Accumulated Depreciation for:				
Machinery & Equipment	(100,371.06)	(7,798.87)	628.07	(107,541.86)
Total Capital Assets, being depreciated, net	36,242.42	17,100.36	17,933.56	71,276.34
Business-Type Activity Capital Assets, Net	36,242.42	17,100.36	17,933.56	71,276.34

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Food Services	7,798.87
Total Depreciation Expense - Business-Type Activities	7,798.87

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

Project Name	Project Authorization	Expended Thru 6/30/15	Committed	Required Future Financing
High School Expansion	$ 313,126.23	$ 313,126.23	$0	$0

8. OPERATING LEASES

The School District entered into an operating lease for copiers. The minimum monthly payment is $3,793.37. The lease is paid by the Capital Outlay Fund.

The following are the minimum payments required for existing operating leases:

Year	Copiers
2016	$ 45,520.44
2017	$ 45,520.44
2018	$ 45,520.44
2019	$ 45,520.44
2020	$ 34,140.33

9. RESTRICTED NET POSITION

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

Purpose	Restricted By:	Amount
Major Funds:		
Capital Outlay	Law	$ 2,256,319.42
Special Education	Law	225,610.88
Pension	Law	197,925.33
SDRS Pension	Governmental Accounting Standards	1,517,928.05
Total Restricted Net Position		$ 4,197,783.68

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

10. INTERFUND TRANSFERS

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

	Transfers To:		
Transfers From:	Special Education Fund	Driver's Education/ Daycare Fund	TOTAL
Major Funds:			
General Fund	100,000.00	15,000.00	115,000.00
TOTALS	100,000.00	15,000.00	115,000.00

The School District uses transfers to transfer federal monies from the General Fund to other funds to conduct the indispensable functions of the School District.

11. 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.

12. PRIOR PERIOD ADJUSTMENTS

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	$ 14,166,050.07
Capital Assets Adjustments	(3,390,432.51)
Restatement for pension accounting:	
Net Pension Asset	815,718.74
Pension related Deferred Outflows of Resources	303,562.54
Net Position July 1, 2014, as restated	$ 11,894,898.84

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

13. 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 on each July 1st is indexed to the consumer price index (CPI) based on SDRS funded status:

- If the SDRS market value funded ratio is 100% or more -- 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
  - 90.0% to 99.9% funded ---- 2.1% minimum and 2.8% maximum COLA
  - 80.0% to 90.0% funded ---- 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ration 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 $310,601.69, $303,562.54, and $285,088.00, respectively, equal to the required contributions each year.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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 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	$ 30,689,564.51
Less proportionate share of total pension liability	$ 28,605,146.64
Proportionate share of net pension liability (asset)	$ (2,084,417.87)

At June 30, 2015, the School District reported a liability (asset) of $(2,084,417.87) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2014 and the total pension liability (asset) used to calculate the net pension liability (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 0.289318%.

For the year ended June 30, 2015, the School District recognized pension expense (revenue) of $(88,045.08). At June 30, 2015 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience.	$ 176,369.94	
Changes In Assumption.	$ 1,360,645.84	
Net Difference between projected and actual earnings on pension plan investments.		$ 2,414,107.29
District contributions subsequent to the measurement date.	$ 310,601.69	
TOTAL	$ 1,847,617.47	$ 2,414,107.29

$310,601.69 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:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Year Ended June 30:

2016	$ (165,630.59)
2017	$ (165,630.59)
2018	$ (165,630.59)
2019	$ (380,199.74)
TOTAL	$ (877,091.51)

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 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	64.0%	4.7%
Fixed Income	26.0%	1.8%
Real Estate	8.0%	5.5%
Cash	2.0%	0.8%
Total	100%	

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Discount Rate:
The discount rate used to measure the total pension liability (asset) was 7.25 percent through 2016 and 7.50 percent 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:

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net pension liability (asset)	$2,059,796.91	$(2,084,417.87)	$(5,464,457.58)

Pension Plan Fiduciary Net Position:
Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

14. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the 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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Unemployment Benefits:

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

The School District has equity in the Unemployment Fund in the amount of $21,549.62 for the payment of future unemployment benefits.

During the year ended June 30, 2015, no claims for unemployment benefits were paid. At June 30, 2015, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

15. SIGNIFICANT CONTINGENCIES – LITIGATION

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

16. RELATED ORGANIZATION

The Chamberlain School District Foundation was incorporated April 19, 1994 to promote the further educational development of Chamberlain School District No. 7-1 students, staff and graduates. The organization is a nonprofit corporation governed by six trustees of which none are appointed by the Chamberlain School District No. 7-1.

The School District does not control it since the School District does not approve the organization's financial decisions. At this point, the Foundation is accounted for as an agency fund of the School.

REQUIRED SUPPLEMENTARY INFORMATION
CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	1,599,000.00	1,599,000.00	1,612,572.49	13,572.49
Prior Years' Ad Valorem Taxes	15,000.00	15,000.00	8,296.58	(6,703.42)
Utility Taxes	315,000.00	315,000.00	304,147.33	(10,852.67)
Penalties and Interest on Taxes	6,000.00	6,000.00	1,086.01	(4,913.99)
Earnings on Investments and Deposits	15,000.00	15,000.00	4,768.84	(10,231.16)
Cocurricular Activities:				
Admissions	53,000.00	53,000.00	40,920.81	(12,079.19)
Other Pupil Activitity Income	600.00	600.00	0.00	(600.00)
Other Revenue from Local Sources:				
Rentals	6,000.00	6,000.00	10,407.00	4,407.00
Contributions and Donations	4,000.00	4,000.00	0.00	(4,000.00)
Charges for Services	48,000.00	48,000.00	24,364.14	(23,635.86)
Other	80,900.00	80,900.00	139,236.71	58,336.71
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	75,000.00	75,000.00	76,078.56	1,078.56
Other	1,000.00	1,000.00	0.00	(1,000.00)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	2,901,500.00	2,901,500.00	2,848,148.58	(53,351.42)
Restricted Grants-in-Aid	0.00	0.00	12,750.00	12,750.00
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received from Federal Government Through State	0.00	0.00	116.00	116.00
Restricted Grants-in-Aid Received from Federal Government Through the State	1,234,250.00	1,234,250.00	1,245,728.00	11,478.00
Total Revenue	6,354,250.00	6,354,250.00	6,328,621.05	(25,628.95)
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	1,577,700.00	1,577,700.00	1,548,196.78	29,503.22
Middle/Junior High	500,100.00	500,100.00	290,366.05	209,733.95
High School	1,022,900.00	1,022,900.00	1,316,882.88	(293,982.88)
Other Regular Programs	20,700.00	20,700.00	14,385.81	6,314.19
Special Programs:				
Educationally Deprived	976,490.00	976,490.00	1,004,474.70	(27,984.70)

REQUIRED SUPPLEMENTARY INFORMATION
CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Expenditures (cont.):				
Support Services:				
Pupils:				
Attendance and Social Work	16,500.00	16,500.00	14,834.30	1,665.70
Guidance	134,900.00	134,900.00	119,238.35	15,661.65
Health	37,100.00	37,100.00	41,706.04	(4,606.04)
Instuctional Staff:				
Improvement of Instruction	133,650.00	133,650.00	146,581.66	(12,931.66)
Educational Media	179,200.00	179,200.00	179,576.06	(376.06)
General Administration:				
Board of Education	55,100.00	55,100.00	59,390.89	(4,290.89)
Executive Administration	151,200.00	151,200.00	155,502.53	(4,302.53)
School Administration:				
Office of the Principal	286,800.00	286,800.00	295,943.53	(9,143.53)
Title I Program Administration	62,840.00	62,840.00	63,613.05	(773.05)
Other	3,000.00	3,000.00	666.62	2,333.38
Business:				
Fiscal Services	146,700.00	146,700.00	146,747.65	(47.65)
Operation and Maintenance of Plant	800,020.00	800,020.00	830,737.93	(30,717.93)
Pupil Transportation	330,000.00	330,000.00	362,871.91	(32,871.91)
Cocurricular Activities:				
Male Activities	69,200.00	69,200.00	101,110.39	(31,910.39)
Female Activities	62,700.00	62,700.00	65,915.42	(3,215.42)
Transportation	60,000.00	60,000.00	60,000.00	0.00
Combined Activities	92,450.00	92,450.00	73,044.49	19,405.51
Total Expenditures	6,719,250.00	6,719,250.00	6,891,787.04	(172,537.04)
Excess of Revenue Over (Under) Expenditures	(365,000.00)	(365,000.00)	(563,165.99)	(198,165.99)
Other Financing Sources:				
Transfers In	395,000.00	395,000.00	400,000.00	5,000.00
Transfers Out	(30,000.00)	(30,000.00)	0.00	30,000.00
Total Other Financing Sources (Uses)	365,000.00	365,000.00	400,000.00	35,000.00
Net Change in Fund Balances	0.00	0.00	(163,165.99)	(163,165.99)
Fund Balance - Beginning	1,086,976.32	1,086,976.32	1,086,976.32	0.00
FUND BALANCE - ENDING	1,086,976.32	1,086,976.32	923,810.33	(163,165.99)

REQUIRED SUPPLEMENTARY INFORMATION
CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	1,071,000.00	1,071,000.00	1,290,310.39	219,310.39
Prior Years' Ad Valorem Taxes	4,000.00	4,000.00	4,352.85	352.85
Penalties and Interest on Taxes	2,000.00	2,000.00	1,088.99	(911.01)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	0.00	0.00	15,550.00	15,550.00
Total Revenue	1,077,000.00	1,077,000.00	1,311,302.23	234,302.23
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	85,000.00	85,000.00	102,079.08	(17,079.08)
Middle/Junior High	0.00	0.00	3,654.93	(3,654.93)
High School	85,000.00	85,000.00	28,449.07	56,550.93
Support Services:				
Instructional Staff:				
Educational Media	230,000.00	230,000.00	214,536.02	15,463.98
Business:				
Fiscal Services	5,000.00	5,000.00	522.98	4,477.02
Facilities Acquisition and Construction	340,000.00	340,000.00	313,039.06	26,960.94
Operation and Maintenance of Plant	62,000.00	62,000.00	184,525.72	(122,525.72)
Pupil Transportation	80,000.00	80,000.00	42,000.00	38,000.00
Food Services	5,000.00	5,000.00	27,599.22	(22,599.22)
Debt Services	175,000.00	175,000.00	0.00	175,000.00
Cocurricular Activities:				
Combined Activities	10,000.00	10,000.00	39,453.00	(29,453.00)
Total Expenditures	1,077,000.00	1,077,000.00	955,859.08	121,140.92
Net Change in Fund Balances	0.00	0.00	355,443.15	355,443.15
Fund Balance - Beginning	1,896,199.93	1,896,199.93	1,896,199.93	0.00
FUND BALANCE - ENDING	1,896,199.93	1,896,199.93	2,251,643.08	355,443.15

REQUIRED SUPPLEMENTARY INFORMATION
CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	663,000.00	663,000.00	685,869.27	22,869.27
Prior Years' Ad Valorem Taxes	2,000.00	2,000.00	2,092.38	92.38
Penalties and Interest on Taxes	2,000.00	2,000.00	4,200.98	2,200.98
Other Revenue from Local Sources:				
Charges for Services	0.00	0.00	23,701.26	23,701.26
Other	0.00	0.00	2,850.00	2,850.00
Revenue from State Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid	497,050.00	497,050.00	482,365.00	(14,685.00)
Other State Revenue	10,000.00	10,000.00	0.00	(10,000.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received Directly from Federal Government	40,000.00	40,000.00	112,538.78	72,538.78
Restricted Grants-in-Aid Received from Federal Government Through the State	206,300.00	206,300.00	197,182.47	(9,117.53)
Total Revenue	1,420,350.00	1,420,350.00	1,510,800.14	90,450.14
Expenditures:				
Instruction:				
Special Programs:				
Programs for Special Education	1,341,950.00	1,421,950.00	1,035,028.10	386,921.90
Support Services:				
Pupils:				
Psychological	10,000.00	10,000.00	0.00	10,000.00
Speech Pathology	231,100.00	231,100.00	118,926.29	112,173.71
Student Therapy Services	41,000.00	41,000.00	27,024.00	13,976.00
Business:				
Fiscal Services	0.00	0.00	4,000.00	(4,000.00)
Special Education:				
Administrative Costs	104,590.00	124,590.00	124,547.71	42.29
Transportation Costs	14,160.00	14,160.00	5,940.94	8,219.06
Other Special Education Costs	0.00	0.00	75,074.00	(75,074.00)
Total Expenditures	1,742,800.00	1,842,800.00	1,390,541.04	452,258.96
Excess of Revenue Over (Under) Expenditures	(322,450.00)	(422,450.00)	120,259.10	542,709.10

REQUIRED SUPPLEMENTARY INFORMATION
CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Other Financing Sources (Uses):				
Transfers In	322,450.00	422,450.00	100,000.00	(322,450.00)
Total Other Financing Sources (Uses)	322,450.00	422,450.00	100,000.00	(322,450.00)
Net Change in Fund Balances	0.00	0.00	220,259.10	220,259.10
Fund Balance - Beginning	3,123.40	3,123.40	3,123.40	0.00
FUND BALANCE - ENDING	3,123.40	3,123.40	223,382.50	220,259.10

REQUIRED SUPPLEMENTARY INFORMATION
CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
PENSION FUND
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	136,000.00	136,000.00	128,162.29	(7,837.71)
Prior Years' Ad Valorem Taxes	0.00	0.00	425.10	425.10
Penalties and Interest on Taxes	0.00	0.00	769.69	769.69
Total Revenue	136,000.00	136,000.00	129,357.08	(6,642.92)
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	50,000.00	50,000.00	0.00	50,000.00
High School	50,000.00	50,000.00	0.00	50,000.00
Nonprogrammed Charges:				
Early Retirement Payments	36,000.00	36,000.00	94,609.02	(58,609.02)
Total Expenditures	136,000.00	136,000.00	94,609.02	41,390.98
Net Change in Fund Balances	0.00	0.00	34,748.06	34,748.06
Fund Balance - Beginning	162,963.00	162,963.00	162,963.00	0.00
FUND BALANCE - ENDING	162,963.00	162,963.00	197,711.06	34,748.06

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.

Note 1. Budgets and Budgetary Accounting

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

1. Prior to the first regular meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.

2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.

3. The proposed budget is published for public review no later than July 15 each year.

4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.

5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.

6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated by 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 school board to any other budget category, except for capital outlay, that is deemed insufficient during the year.

8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.

9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.

10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.

11. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

12. The following reconciles the USGAAP Basis fund balance to the Budgetary Basis fund balance:

	Year Ended 6/30/2015
General Fund:	
USGAAP Basis Fund Balance	$ 3,287,733.28
(Deduct) Impact Aid Revenue	(664,354.05)
Impact Aid Beginning Balance	(2,214,568.90)
Impact Aid Transfer Out	515,000.00
Net Adjustment to GAAP Basis Fund Balance	(2,363,922.95)
Budgetary Basis Fund Balance	$ 923,810.33

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.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

(Dollar amounts in thousands)

		2015
District's proportion of the net pension liability (asset)		0.289318%
District's proportionate share of net pension liability (asset)	$	(2,084)
District's covered-employee payroll	$	5,059
District's proportionate share of the net pension asset as a percentage of its covered-employee payroll		41.19%
Plan fiduciary net position as a percentage of the total pension liability (asset)		107%

The amounts presented were determined as of 06/30/2014.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS

South Dakota Retirement System

(Dollar amounts in thousands)

	2015
Contractually required contribution	$ 311
Contributions in relation to the contractually required contribution	$ 311
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 5,177
Contributions as a percentage of covered-employee payroll	6.0%

CHAMBERLAIN SCHOOL DISTRICT NO. 7-1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Expenditures FY 2015
US Department of Agriculture:		
Pass-Through the SD Department of Education:		
Child Nutrition Cluster:		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	14,347.95
Cash Assistance:		
School Breakfast Program (Note 2)	10.553	32,942.08
National School Lunch Program (Note 2)	10.555	202,649.60
Total for Child Nutrition Cluster		249,939.63
Fresh Fruit and Vegetable Program	10.582	15,550.00
Total US Department of Agriculture		**265,489.63**
US Department of the Interior:		
Pass-Through the SD Department of Education:		
Distribution of Receipts to State and Local Governments (Note 2)	15.227	116.00
Total US Department of the Interior		**116.00**
US Department of Education:		
Direct Federal Funding:		
Impact Aid (Title VIII of ESEA) (Note 3)	84.041	627,538.78
Indirect Federal Funding:		
Pass-Through the SD Department of Education:		
Special Education Cluster:		
Special Education - Grants to States	84.027	187,027.00
Special Education - Preschool Grants	84.173	4,621.00
Total for Special Education Cluster		191,648.00
Title I Grants to Local Educational Agencies (Note 3)	84.010	1,091,177.00
Career and Technical Education - Basic Grants to States	84.048	6,012.00
Special Education - Grants for Infants and Families	84.181	5,534.47
Twenty-First Century Community Learning Centers	84.287	100,797.00
Rural Education	84.359	14,834.00
Improving Teacher Quality State Grants	84.367	133,705.00
Total US Department of Education		**2,171,246.25**
GRAND TOTAL		**2,436,851.88**

NOTE 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the school 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 States, 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 upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

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