

**COLMAN-EGAN SCHOOL
DISTRICT NO. 50-5**

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

JUNE 30, 2015

**COLMAN-EGAN SCHOOL DISTRICT NO 50-5
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2015**

School Board

Dan Bowen

Mary Beth Zwart

Marie Miles

Jennifer Keyes

Jeff Fritz

Business Manager

Luann Smith

Superintendent

Tracey Olson

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QUAM & BERGLIN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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ELK POINT, SOUTH DAKOTA 57025

(605) 356-3374

INDEPENDENT AUDITOR'S REPORT

School Board
Colman-Egan School District No. 50-5
Moody 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 Colman-Egan School District No. 50-5, Moody County, South Dakota (School District), as of June 30, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Colman-Egan School District No. 50-5 as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Pension Schedules and Schedule of Funding Progress, as noted in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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.

Other Reporting Required by Government Auditing Standards

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

Quam & Berglin, P.C.

Quam and Berglin, P.C.
Certified Public Accountants

December 29, 2015

COLMAN-EGAN SCHOOL DISTRICT NO. 50-5
STATEMENT OF NET POSITION
JUNE 30, 2015

| | Primary Government | | Total |
|---|------------------------------------|-------------------------------------|------------------------|
| | Governmental Activities | Business-Type Activities | |
| ASSETS: | | | |
| Cash and Cash Equivalents | \$ 1,143,931.54 | \$ 43,790.32 | \$ 1,187,721.86 |
| Taxes Receivable | 800,413.63 | | 800,413.63 |
| Accounts Receivable | 2,284.60 | 958.40 | 3,243.00 |
| Due from Other Governments | 101,983.02 | | 101,983.02 |
| Inventory | | 1,477.03 | 1,477.03 |
| Other Post Employment Benefits | 12,668.00 | | 12,668.00 |
| Net Pension Asset | 506,768.77 | | 506,768.77 |
| Capital Assets: | | | |
| Land | 6,861.00 | | 6,861.00 |
| Other Capital Assets, Net of Depreciation | 4,066,736.81 | 3,739.84 | 4,070,476.65 |
| TOTAL ASSETS | 6,641,647.37 | 49,965.59 | 6,691,612.96 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Pension Related Deferred Outflows | 448,045.19 | | 448,045.19 |
| TOTAL DEFERRED OUTFLOWS: | 448,045.19 | | 448,045.19 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES: | 7,089,692.56 | 49,965.59 | 7,139,658.15 |
| LIABILITIES : | | | |
| Accounts Payable | 31,423.95 | | 31,423.95 |
| Contracts and Benefits Payable | 161,815.04 | 4,357.94 | 166,172.98 |
| Deposits Payable | | 2,547.50 | 2,547.50 |
| Noncurrent Liabilities: | | | |
| Due Within One Year | 348,914.20 | | 348,914.20 |
| Due in More than One Year | 1,812,323.79 | | 1,812,323.79 |
| TOTAL LIABILITIES | 2,354,476.98 | 6,905.44 | 2,361,382.42 |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Taxes Levied for a Future Period | 782,544.51 | | 782,544.51 |
| Pension Related Deferred Inflows | 586,923.67 | | 586,923.67 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 1,369,468.18 | | 1,369,468.18 |
| NET POSITION: | | | |
| Net Investment in Capital Assets | 1,945,190.63 | 3,739.84 | 1,948,930.47 |
| Restricted for: | | | |
| Capital Outlay | 365,817.44 | | 365,817.44 |
| Special Education | 24,671.56 | | 24,671.56 |
| Pension | 38,622.55 | | 38,622.55 |
| Debt Services | 222,293.12 | | 222,293.12 |
| SDRS Pension Purposes | 367,890.29 | | 367,890.29 |
| Unrestricted | 401,261.81 | 39,320.31 | 440,582.12 |
| TOTAL NET POSITION | \$ 3,365,747.40 | \$ 43,060.15 | \$ 3,408,807.55 |

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

COLMAN-EGAN SCHOOL DISTRICT NO. 50-5
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | | |
|--|------------------------|----------------------|------------------------------------|---|--------------------------|------------------------|
| | | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Primary Government: | | | | | | |
| Governmental Activities: | | | | | | |
| Instruction | \$ 1,171,022.02 | \$ | \$ 230,475.62 | \$ (940,546.40) | \$ | \$ (940,546.40) |
| Support Services | 1,043,049.99 | 21,405.77 | | (1,021,644.22) | | (1,021,644.22) |
| *Interest on Long-term Debt | 210,334.48 | | | (210,334.48) | | (210,334.48) |
| Cocurricular Activities | 128,112.60 | 26,714.01 | | (101,398.59) | | (101,398.59) |
| Total Governmental Activities | <u>2,552,519.09</u> | <u>48,119.78</u> | <u>230,475.62</u> | <u>(2,273,923.69)</u> | | <u>(2,273,923.69)</u> |
| Business-type Activities: | | | | | | |
| Food Service | 142,980.65 | 75,449.47 | 61,659.30 | | (5,871.88) | (5,871.88) |
| Preschool | 28,130.95 | 38,443.29 | | | 10,312.34 | 10,312.34 |
| Driver's Education | 319.63 | 3,325.00 | | | 3,005.37 | 3,005.37 |
| Total Business-type Activities | <u>171,431.23</u> | <u>117,217.76</u> | <u>61,659.30</u> | | <u>7,445.83</u> | <u>7,445.83</u> |
| Total Primary Government | <u>\$ 2,723,950.32</u> | <u>\$ 165,337.54</u> | <u>\$ 292,134.92</u> | <u>(2,273,923.69)</u> | <u>7,445.83</u> | <u>(2,266,477.86)</u> |
| *The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt. | | | | | | |
| General Revenues: | | | | | | |
| Taxes: | | | | | | |
| | | | | 1,594,094.51 | | 1,594,094.51 |
| | | | | 48,396.90 | | 48,396.90 |
| Revenue from State Sources: | | | | | | |
| | | | | 888,067.78 | | 888,067.78 |
| | | | | 825.58 | | 825.58 |
| | | | | 48,118.83 | | 48,118.83 |
| | | | | <u>2,579,503.60</u> | | <u>2,579,503.60</u> |
| | | | | <u>305,579.91</u> | <u>7,445.83</u> | <u>313,025.74</u> |
| | | | | <u>2,788,045.12</u> | <u>35,614.32</u> | <u>2,823,659.44</u> |
| | | | | <u>272,122.37</u> | | <u>272,122.37</u> |
| | | | | <u>3,060,167.49</u> | <u>35,614.32</u> | <u>3,095,781.81</u> |
| | | | | <u>\$ 3,365,747.40</u> | <u>\$ 43,060.15</u> | <u>\$ 3,408,807.55</u> |

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

**COLMAN-EGAN SCHOOL DISTRICT NO. 50-5
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

| | General Fund | Capital Outlay Fund | Special Education Fund | Pension Fund | Bond Redemption Fund | Total Governmental Funds |
|---|-----------------------------|------------------------------------|---------------------------------------|----------------------------|-------------------------------------|---|
| ASSETS: | | | | | | |
| Cash and Cash Equivalents | \$ 454,977.67 | \$ 404,275.90 | \$ 27,130.72 | \$ 38,014.55 | \$ 219,532.70 | \$ 1,143,931.54 |
| Taxes Receivable--Current | 273,537.52 | 225,646.50 | 145,318.17 | 26,841.73 | 111,200.59 | 782,544.51 |
| Taxes Receivable--Delinquent | 6,486.75 | 5,000.23 | 3,013.72 | 608.00 | 2,760.42 | 17,869.12 |
| Accounts Receivable | 2,284.60 | | | | | 2,284.60 |
| Due from Other Governments | <u>75,356.02</u> | | <u>26,627.00</u> | | | <u>101,983.02</u> |
| TOTAL ASSETS | <u>\$ 812,642.56</u> | <u>\$ 634,922.63</u> | <u>\$ 202,089.61</u> | <u>\$ 65,464.28</u> | <u>\$ 333,493.71</u> | <u>\$ 2,048,612.79</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES: | | | | | | |
| Liabilities: | | | | | | |
| Accounts Payable | \$ 8,951.43 | \$ 12,067.88 | \$ 10,404.64 | \$ | \$ | \$ 31,423.95 |
| Contracts Payable | 111,587.48 | | 16,629.06 | | | 128,216.54 |
| Payroll Deductions and Withholdings and Employer Matching Payable | <u>28,532.32</u> | | <u>5,066.18</u> | | | <u>33,598.50</u> |
| Total Liabilities | <u>149,071.23</u> | <u>12,067.88</u> | <u>32,099.88</u> | | | <u>193,238.99</u> |
| Deferred Inflows of Resources: | | | | | | |
| Taxes Levied for a Future Period | 273,537.52 | 225,646.50 | 145,318.17 | 26,841.73 | 111,200.59 | 782,544.51 |
| Unavailable Revenue-Property Taxes | <u>6,486.75</u> | <u>5,000.23</u> | <u>3,013.72</u> | <u>608.00</u> | <u>2,760.42</u> | <u>17,869.12</u> |
| Total Deferred Inflows of Resources | <u>280,024.27</u> | <u>230,646.73</u> | <u>148,331.89</u> | <u>27,449.73</u> | <u>113,961.01</u> | <u>800,413.63</u> |
| Fund Balances: | | | | | | |
| Restricted | | 392,208.02 | 21,657.84 | 38,014.55 | 219,532.70 | 671,413.11 |
| Assigned - Subsequent Year's Budget | 137,896.00 | | | | | 137,896.00 |
| Unassigned | <u>245,651.06</u> | | | | | <u>245,651.06</u> |
| Total Fund Balances | <u>383,547.06</u> | <u>392,208.02</u> | <u>21,657.84</u> | <u>38,014.55</u> | <u>219,532.70</u> | <u>1,054,960.17</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 812,642.56</u> | <u>\$ 634,922.63</u> | <u>\$ 202,089.61</u> | <u>\$ 65,464.28</u> | <u>\$ 333,493.71</u> | <u>\$ 2,048,612.79</u> |

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

**COLMAN-EGAN SCHOOL DISTRICT NO. 50-5
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

| | | |
|--|-----------------------|------------------------------|
| Total Fund Balances - Governmental Funds | | \$ 1,054,960.17 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | |
| Cost of Capital Assets | \$ 5,393,726.91 | |
| Accumulated Depreciation | <u>(1,320,129.10)</u> | 4,073,597.81 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of: | | |
| General Obligation Bonds Payable | (1,495,000.00) | |
| Capital Outlay Certificates Payable | (575,000.00) | |
| Financing (Capital Acquisition) Leases | (89,797.99) | |
| Personal Leave Payable | <u>(1,440.00)</u> | (2,161,237.99) |
| Non current assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | |
| Other Post Employment Benefits at year end: | | 12,668.00 |
| Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. | | |
| | | 506,768.77 |
| Pension related deferred outflows are components of pension asset and therefore are not reported in the funds. | | |
| | | 448,045.19 |
| Pension related deferred inflows are components of pension liability and therefore are reported in the funds. | | |
| | | (586,923.67) |
| Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds. | | |
| | | <u>17,869.12</u> |
| Net Position - Governmental Funds | | <u><u>\$3,365,747.40</u></u> |

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

COLMAN-EGAN SCHOOL DISTRICT NO. 50-5
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 | Bond Redemption Fund | Total Governmental Funds |
|--|---------------------|---------------------------|------------------------------|------------------|----------------------------|--------------------------------|
| Revenues: | | | | | | |
| Revenue from Local Sources: | | | | | | |
| Taxes: | | | | | | |
| Ad Valorem Taxes | \$ 558,263.19 | \$ 455,621.86 | \$ 288,626.06 | \$ 54,329.84 | \$ 227,797.23 | \$ 1,584,638.18 |
| Prior Years' Ad Valorem Taxes | 5,910.12 | 2,781.17 | 1,664.56 | 340.57 | 1,587.98 | 12,284.40 |
| Utility Taxes | 48,396.90 | | | | | 48,396.90 |
| Penalties and Interest on Taxes | | | 64.26 | | | 64.26 |
| Earnings on Investments and Deposits | 448.08 | 184.55 | 41.95 | 16.77 | 134.23 | 825.58 |
| Cocurricular Activities: | | | | | | |
| Admissions | 17,952.66 | | | | | 17,952.66 |
| Rentals | 685.25 | | | | | 685.25 |
| Other Revenue from Local Sources: | | | | | | |
| Rentals | 554.00 | | | | | 554.00 |
| Contributions and Donations | 250.00 | 6,204.09 | | | | 6,454.09 |
| Medicaid | 5,938.38 | | 2,137.72 | | | 8,076.10 |
| Other | 4,454.13 | | 240.00 | | | 4,694.13 |
| Revenue from Intermediate Sources: | | | | | | |
| County Sources: | | | | | | |
| County Apportionment | 36,416.61 | | | | | 36,416.61 |
| Revenue from State Sources: | | | | | | |
| Grants-in-Aid: | | | | | | |
| Unrestricted Grants-in-Aid | 888,067.78 | | | | | 888,067.78 |
| Restricted Grants-in-Aid | 6,258.90 | | 105,263.00 | | | 111,521.90 |
| Revenue from Federal Sources: | | | | | | |
| Grants-in-Aid: | | | | | | |
| Restricted Grants-in-Aid Received from Federal Government Through the State | 48,360.60 | | 48,084.00 | | | 96,444.60 |
| Other Federal Revenue | 22,509.12 | | | | | 22,509.12 |
| Total Revenue | <u>1,644,465.72</u> | <u>464,791.67</u> | <u>446,121.55</u> | <u>54,687.18</u> | <u>229,519.44</u> | <u>2,839,585.56</u> |

Expenditures:

Instruction:

Regular Programs:

| | | | | |
|---------------|------------|-----------|-----------|------------|
| Elementary | 366,564.33 | 14,767.94 | 18,220.00 | 399,552.27 |
| Middle School | 77,896.53 | 12,915.87 | 3,275.00 | 94,087.40 |
| High School | 287,552.02 | 19,167.88 | 13,081.00 | 319,800.90 |

Special Programs:

| | | | | | |
|-------------------------------------|-----------|--|------------|----------|------------|
| Programs for Special Education | | | 305,311.03 | 2,969.00 | 308,280.03 |
| Programs for Educationally Deprived | 25,529.68 | | | 1,229.00 | 26,758.68 |

Support Services:

Pupils:

| | | | | | |
|------------------|-----------|--|-----------|----------|-----------|
| Guidance | 45,309.11 | | | 2,145.00 | 47,454.11 |
| Speech Pathology | | | 59,084.44 | | 59,084.44 |
| Student Therapy | | | 13,009.38 | | 13,009.38 |

Support Services - Instructional Staff:

| | | | | | |
|----------------------------|-----------|----------|--|----------|-----------|
| Improvement of Instruction | 38,891.97 | | | | 38,891.97 |
| Educational Media | 88,290.01 | 1,378.72 | | 3,791.00 | 93,459.73 |

Support Services - General Administration:

| | | | | | |
|--------------------------|------------|--------|--|----------|------------|
| Board of Education | 24,595.43 | | | | 24,595.43 |
| Executive Administration | 140,616.85 | 834.98 | | 5,822.00 | 147,273.83 |

Support Services - School Administration:

| | | | | | |
|-------------------------|-----------|--------|--|----------|-----------|
| Office of the Principal | 93,596.39 | 734.99 | | 4,703.00 | 99,034.38 |
| Other | 117.36 | | | | 117.36 |

Support Services - Business:

| | | | | | |
|------------------------------------|------------|------------|--|----------|------------|
| Fiscal Services | 64,896.29 | 3,983.48 | | 2,626.00 | 71,505.77 |
| Operation and Maintenance of Plant | 150,430.78 | 122,462.53 | | 3,366.00 | 276,259.31 |
| Pupil Transportation | 94,459.31 | | | | 94,459.31 |

Support Services - Central:

| | | | | | |
|-------|--------|--|--|--|--------|
| Staff | 302.75 | | | | 302.75 |
|-------|--------|--|--|--|--------|

Support Services - Special Education:

| | | | | | |
|----------------------|--|--|-----------|--|-----------|
| Administrative Costs | | | 3,322.58 | | 3,322.58 |
| Purchased Services | | | 1,789.07 | | 1,789.07 |
| Transportation Costs | | | 13,470.10 | | 13,470.10 |
| Preschool | | | 2,742.06 | | 2,742.06 |
| Other | | | 14,073.61 | | 14,073.61 |

COLMAN-EGAN SCHOOL DISTRICT NO. 50-5
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 | Bond Redemption Fund | Total Governmental Funds |
|--|----------------------|---------------------------|------------------------------|---------------------|----------------------------|--------------------------------|
| Debt Service | | 165,303.76 | | | 245,217.97 | 410,521.73 |
| Cocurricular Activities: | | | | | | |
| Combined Activities | 98,826.86 | 19,618.94 | | | | 118,445.80 |
| Capital Outlay | | 8,431.00 | | | | 8,431.00 |
| Total Expenditures | <u>1,597,875.67</u> | <u>369,600.09</u> | <u>412,802.27</u> | <u>61,227.00</u> | <u>245,217.97</u> | <u>2,686,723.00</u> |
| Excess of Revenue Over (Under) Expenditures | 46,590.05 | 95,191.58 | 33,319.28 | (6,539.82) | (15,698.53) | 152,862.56 |
| Other Financing Sources (Uses): | | | | | | |
| Proceeds from Long-Term Debt Issued | | | | | 1,495,000.00 | 1,495,000.00 |
| Payment to Refunded Debt Escrow Agency | | | | | (1,462,495.31) | (1,462,495.31) |
| Total Other Financing Sources (Uses) | | | | | <u>32,504.69</u> | <u>32,504.69</u> |
| Net Change in Fund Balances | 46,590.05 | 95,191.58 | 33,319.28 | (6,539.82) | 16,806.16 | 185,367.25 |
| Fund Balance - July 1, 2014 | <u>336,957.01</u> | <u>297,016.44</u> | <u>(11,661.44)</u> | <u>44,554.37</u> | <u>202,726.54</u> | <u>869,592.92</u> |
| Fund Balance - June 30, 2015 | <u>\$ 383,547.06</u> | <u>\$ 392,208.02</u> | <u>\$ 21,657.84</u> | <u>\$ 38,014.55</u> | <u>\$ 219,532.70</u> | <u>\$ 1,054,960.17</u> |

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

**COLMAN-EGAN SCHOOL DISTRICT NO. 50-5
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 \$ 185,367.25

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period.

| | | |
|----------------------|---------------------|--------------|
| Capital Outlay | \$ 8,431.00 | |
| Depreciation Expense | <u>(145,778.49)</u> | (137,347.49) |

The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government-wide statements.

| | |
|---------------------|----------------|
| G.O Refunding Bonds | (1,495,000.00) |
|---------------------|----------------|

Governmental funds report property taxes as revenue when they meet the available criteria. Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year.

(2,892.33)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

| | | |
|--|------------------|--------------|
| Repayment of Bond Principal | 1,635,000.00 | |
| Repayment of Capital Outlay Certificates | 75,000.00 | |
| Repayment of Capital Lease | <u>66,015.88</u> | 1,776,015.88 |

When bonds are issued there is often a deferred charge involved. This charge is amortized over the life of the bond issued.

(113,333.32)

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 governmental funds. This is the change in other post employment benefits and personal leave payable.

(2,998.00)

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

95,767.92

Change in Net Position of Governmental Activities

\$ 305,579.91

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

COLMAN-EGAN SCHOOL DISTRICT NO. 50-5
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

| | Enterprise Funds | | |
|--|----------------------------------|--------------------------------------|---------------------|
| | Food Service Fund | Other Enterprise Fund | Total |
| ASSETS: | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 21,825.07 | \$ 21,965.25 | \$ 43,790.32 |
| Accounts Receivable | 230.65 | 727.75 | 958.40 |
| Inventory of Supplies | 270.88 | | 270.88 |
| Inventory of Goods Purchased for Resale | 676.82 | | 676.82 |
| Inventory of Donated Goods | 529.33 | | 529.33 |
| Total Current Assets | <u>23,532.75</u> | <u>22,693.00</u> | <u>46,225.75</u> |
| Capital Assets: | | | |
| Machinery and Equipment | 55,974.00 | | 55,974.00 |
| Less: Accumulated Depreciation | <u>(52,234.16)</u> | | <u>(52,234.16)</u> |
| Total Noncurrent Assets | <u>3,739.84</u> | | <u>3,739.84</u> |
| TOTAL ASSETS | <u>27,272.59</u> | <u>22,693.00</u> | <u>49,965.59</u> |
| LIABILITIES: | | | |
| Contracts Payable | | 3,800.03 | 3,800.03 |
| Deposits Payable | 2,547.50 | | 2,547.50 |
| Payroll Deductions and Withholdings and Employer Matching Payable | | <u>557.91</u> | <u>557.91</u> |
| TOTAL LIABILITIES | <u>2,547.50</u> | <u>4,357.94</u> | <u>6,905.44</u> |
| NET POSITION: | | | |
| Net Investment in Capital Assets | 3,739.84 | | 3,739.84 |
| Unrestricted Net Position | <u>20,985.25</u> | <u>18,335.06</u> | <u>39,320.31</u> |
| Total Net Position | <u>\$ 24,725.09</u> | <u>\$ 18,335.06</u> | <u>\$ 43,060.15</u> |

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

COLMAN-EGAN SCHOOL DISTRICT NO. 50-5
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

| | Enterprise Funds | | |
|---|----------------------------------|--------------------------------------|---------------------|
| | Food Service Fund | Other Enterprise Fund | Total |
| Operating Revenue: | | | |
| Sales: | | | |
| To Pupils | \$ 57,880.80 | \$ | \$ 57,880.80 |
| To Adults | 8,763.55 | | 8,763.55 |
| Other | 8,805.12 | | 8,805.12 |
| Contributions | | 100.00 | 100.00 |
| Other Charges for Goods and Services | | 41,668.29 | 41,668.29 |
| Total Operating Revenue | <u>75,449.47</u> | <u>41,768.29</u> | <u>117,217.76</u> |
| Operating Expenses: | | | |
| Salaries | 55,056.73 | 24,506.59 | 79,563.32 |
| Employee Benefits | 23,302.42 | 3,624.36 | 26,926.78 |
| Purchased Services | 1,802.80 | | 1,802.80 |
| Supplies | 2,968.09 | 319.63 | 3,287.72 |
| Cost of Sales-Purchased Food | 50,353.56 | | 50,353.56 |
| Cost of Sales-Donated Food | 8,222.69 | | 8,222.69 |
| Miscellaneous | 45.00 | | 45.00 |
| Depreciation-Local Funds | 1,229.36 | | 1,229.36 |
| Total Operating Expenses | <u>142,980.65</u> | <u>28,450.58</u> | <u>171,431.23</u> |
| Operating Income (Loss) | <u>(67,531.18)</u> | <u>13,317.71</u> | <u>(54,213.47)</u> |
| Nonoperating Revenue (Expense): | | | |
| State Sources: | | | |
| Cash Reimbursements | 817.11 | | 817.11 |
| Federal Sources: | | | |
| Cash Reimbursements | 53,461.82 | | 53,461.82 |
| Donated Food | 7,380.37 | | 7,380.37 |
| Total Nonoperating Revenue (Expense) | <u>61,659.30</u> | | <u>61,659.30</u> |
| Change in Net Position | (5,871.88) | 13,317.71 | 7,445.83 |
| Net Position - Beginning | <u>30,596.97</u> | <u>5,017.35</u> | <u>35,614.32</u> |
| NET POSITION - ENDING | <u>\$ 24,725.09</u> | <u>\$ 18,335.06</u> | <u>\$ 43,060.15</u> |

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

COLMAN-EGAN SCHOOL DISTRICT NO. 50-5
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

| | Enterprise Fund | | |
|---|----------------------------------|--------------------------------------|-----------------------|
| | Food Service Fund | Other Enterprise Fund | Total |
| Cash Flows from Operating Activities: | | | |
| Receipts from Customers | \$ 77,769.27 | \$ 42,008.29 | \$ 119,777.56 |
| Payments to Employees for Services | (78,359.15) | (28,634.51) | (106,993.66) |
| Payments to Suppliers | (54,784.72) | (319.63) | (55,104.35) |
| Other Operating Payments | (45.00) | | (45.00) |
| Net Cash Provided (Used) by Operating Activities | <u>(55,419.60)</u> | <u>13,054.15</u> | <u>(42,365.45)</u> |
| Cash Flows from Noncapital Financing Activities: | | | |
| Operating Subsidies and Local Grants | <u>54,278.93</u> | | <u>54,278.93</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>\$ (1,140.67)</u> | <u>\$ 13,054.15</u> | <u>\$ 11,913.48</u> |
| Cash and Cash Equivalents at Beginning of Year | \$ 22,965.74 | \$ 8,911.10 | \$ 31,876.84 |
| Cash and Cash Equivalents at End of Year | <u>21,825.07</u> | <u>21,965.25</u> | <u>43,790.32</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>\$ (1,140.67)</u> | <u>\$ 13,054.15</u> | <u>\$ 11,913.48</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET | | | |
| CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | |
| Operating Income (Loss) | \$ (67,531.18) | \$ 13,317.71 | \$ (54,213.47) |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: | | | |
| Depreciation Expense | 1,229.36 | | 1,229.36 |
| Value of Commodities Used | 8,222.69 | | 8,222.69 |
| Change in Assets and Liabilities: | | | |
| Accounts and Other Receivables | (227.70) | 240.00 | 12.30 |
| Inventories | 435.98 | | 435.98 |
| Accounts and Other Payables | (96.25) | | (96.25) |
| Deposits Payable | 2,547.50 | | 2,547.50 |
| Accrued Wages Payable | | (503.56) | (503.56) |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (55,419.60)</u> | <u>\$ 13,054.15</u> | <u>\$ (42,365.45)</u> |
| Noncash Investing, Capital and Financing Activities: | | | |
| Value of Commodities Received | \$ 7,380.37 | | |

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

COLMAN-EGAN SCHOOL DISTRICT NO. 50-5
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

| | Private-Purpose Trust Funds | Agency Funds |
|--------------------------------|--|-------------------------|
| ASSETS: | | |
| Cash and Cash Equivalents | \$ 95,362.32 | \$ 51,067.23 |
| Accounts Receivable | | 2,016.61 |
| TOTAL ASSETS | 95,362.32 | 53,083.84 |
| LIABILITIES: | | |
| Amounts Held for Others | | 53,083.84 |
| Total Liabilities | | \$ 53,083.84 |
| NET POSITION | | |
| Held in Trust for Scholarships | \$ 95,362.32 | |

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

**COLMAN-EGAN SCHOOL DISTRICT NO. 50-5
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

| | <u>Private-Purpose Trust Funds</u> |
|--------------------------------------|--|
| ADDITIONS: | |
| Earnings on Investments and Deposits | <u>\$ 75.50</u> |
| Total Additions | <u>75.50</u> |
| DEDUCTIONS: | |
| Total Deductions | <u>0.00</u> |
| Change in Net Position | 75.50 |
| Net Position - Beginning | <u>95,286.82</u> |
| NET POSITION - ENDING | <u><u>\$ 95,362.32</u></u> |

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

COLMAN-EGAN SCHOOL DISTRICT NO. 50-5
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity

The reporting entity of Colman-Egan School District No. 50-5, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

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 District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods 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:

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

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

Governmental Funds:

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

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

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

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

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

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

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

Proprietary Funds:

Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any 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.*
- c. *The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).*

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

Other Enterprise Fund - A fund used to record financial transactions related to pre-school services and drivers education instruction conducted for the benefit of the children. This fund is financed by user charges. This is a major fund.

Fiduciary Funds:

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

Private-Purpose Trust Funds - private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains only a private-purpose trust fund for scholarships.

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

c. Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 60 days. The revenues that were accrued at June 30, 2015 are amounts due from other governments for grants and utility taxes.

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

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

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

d. Deposits and Investments:

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

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

e. Capital Assets

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

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

Government-Wide Statements

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary funds operations, construction period interest is capitalized in accordance with USGAAP.

The total June 30, 2015 balance of capital assets for governmental activities includes approximately 1.78 percent for which the costs were determined by estimates of the original costs. The total June 30, 2015 balance of capital assets for business-type activities are all valued at original cost. These estimated original costs were established by prior records at cost or historical costs.

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 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 | All | NA | NA |
| Improvements | \$ 25,000.00 | Straight Line | 25-50 yrs |
| Buildings | 100,000.00 | Straight Line | 40-80 yrs |
| Vehicles | 15,000.00 | Straight Line | 5-20 yrs |
| Machinery and Equipment | 5,000.00 | Straight Line | 5-20 yrs |
| Food Service Machinery and Equipment | 1,000.00 | Straight Line | 10-12 yrs |

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

f. Long-Term Liabilities:

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

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

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

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

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, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

i. Cash and Cash Equivalents:

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

j. Equity Classifications

Government-wide Financial 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 does 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. 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.

m. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

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

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

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

A schedule of fund balances is provided as follows:

**COLMAN-EGAN SCHOOL DISTRICT NO. 50-5
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

| | <u>General Fund</u> | <u>Capital Outlay Fund</u> | <u>Special Education Fund</u> | <u>Pension Fund</u> | <u>Bond Redemption Fund</u> | <u>Total Governmental Funds</u> |
|----------------------------|-------------------------|------------------------------------|---------------------------------------|-------------------------|-------------------------------------|---|
| Fund Balances: | | | | | | |
| <i>Restricted for:</i> | | | | | | |
| Capital Outlay | \$ | \$ 392,208.02 | \$ | \$ | \$ | \$ 392,208.02 |
| Special Education | | | 21,657.84 | | | 21,657.84 |
| Pension | | | | 38,014.55 | | 38,014.55 |
| Debt Service | | | | | 219,532.70 | 219,532.70 |
| <i>Assigned to:</i> | | | | | | |
| Subsequent Budget | 137,896.00 | | | | | 137,896.00 |
| <i>Unassigned</i> | <u>245,651.06</u> | | | | | <u>245,651.06</u> |
| Total Fund Balances | <u>\$383,547.06</u> | <u>\$ 392,208.02</u> | <u>\$ 21,657.84</u> | <u>\$38,014.55</u> | <u>\$ 219,532.70</u> | <u>\$ 1,054,960.17</u> |

o. Pensions

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

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

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

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

Investments – In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires 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. The School District does not have any investments with an external investment pool as of June 30, 2015.

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 fund making the investment.

NOTE 3 – RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year and no allowance has been provided for uncollectible amounts.

NOTE 4 – INVENTORY

Inventory for Resale is stated at the lower of cost or market. The cost valuation method is the first in, first out method. Donated commodities are valued at estimated market value based on the

USDA price list at date of receipt.

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

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

NOTE 5 – PROPERTY TAXES

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

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

NOTE 6 – 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:

Pension Fund \$ (7,048.00)

NOTE 7 – CHANGES IN CAPITAL ASSETS

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

Governmental Activities:

Primary Government

| | Balance 06/30/14 | Increases | Decrease | Balance 06/30/15 |
|--|------------------------|------------------------|-------------------|------------------------|
| Governmental Activities: | | | | |
| Capital Assets, not depreciated: | | | | |
| Land | \$ 6,861.00 | \$ | \$ | \$ 6,861.00 |
| Capital Assets, depreciated: | | | | |
| Buildings | 4,579,529.28 | | | 4,579,529.28 |
| Machinery and Equipment | 706,051.88 | 5,155.00 | | 711,206.88 |
| Library Books | 93,989.75 | 3,276.00 | (1,136.00) | 96,129.75 |
| Totals | <u>5,379,570.91</u> | <u>8,431.00</u> | <u>(1,136.00)</u> | <u>5,386,865.91</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings | 799,015.25 | 58,628.00 | | 857,643.25 |
| Machinery and Equipment | 323,594.00 | 82,344.00 | | 405,938.00 |
| Library Books | 52,877.36 | 4,806.49 | (1,136.00) | 56,547.85 |
| Total Accumulated Depreciation | <u>1,175,486.61</u> | <u>145,778.49</u> | <u>(1,136.00)</u> | <u>1,320,129.10</u> |
| Total Capital Assets, being depreciated, net | <u>4,204,084.30</u> | <u>(137,347.49)</u> | | <u>4,066,736.81</u> |
| Governmental Activities: | | | | |
| capital assets, net | <u>\$ 4,210,945.30</u> | <u>\$ (137,347.49)</u> | <u>\$ 0.00</u> | <u>\$ 4,073,597.81</u> |

**Depreciation expense was charged to functions as follows:

Governmental Activities:

| | |
|--|----------------------|
| Instruction | \$ 94,646.89 |
| Support Services | 41,464.80 |
| Co-curricular Activities | 9,666.80 |
| Total Depreciation expense-governmental activities | <u>\$ 145,778.49</u> |

Business-type Activity:

| | Balance 06/30/14 | Increases | Decreases | Balance 06/30/15 |
|--|---------------------|----------------------|-----------|---------------------|
| Business-type activity capital assets, net | | | | |
| Capital Assets, depreciated: | | | | |
| Machinery and Equipment | \$ 55,974.00 | \$ | \$ | \$ 55,974.00 |
| Less Accumulated Depreciation: | | | | |
| Machinery and Equipment | <u>51,004.80</u> | <u>1,229.36</u> | | <u>52,234.16</u> |
| Business-type activity capital assets, net | <u>\$ 4,969.20</u> | <u>\$ (1,229.36)</u> | <u>\$</u> | <u>\$ 3,739.84</u> |

**Depreciation expense was charged to functions as follows:

Business-type Activity

| | |
|--------------|-------------|
| Food Service | \$ 1,229.36 |
|--------------|-------------|

NOTE 8 – LONG -TERM LIABILITIES

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

| | Beginning Balance 07/01/2014 | Additions | Retired | Ending Balance 6/30/15 | Due Within One Year |
|----------------------------------|------------------------------------|------------------------|------------------------|---------------------------|------------------------|
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| General Obligation Bonds | \$ 1,635,000.00 | \$ 1,495,000.00 | \$ 1,635,000.00 | \$ 1,495,000.00 | \$ 210,000.00 |
| Capital Outlay Certificates | 650,000.00 | | 75,000.00 | 575,000.00 | 70,000.00 |
| Capital Lease | 155,813.87 | | 66,015.88 | 89,797.99 | 67,474.20 |
| Compensated Absences | 700.00 | 1,440.00 | 700.00 | 1,440.00 | 1,440.00 |
| Total Governmental Activities | <u>\$ 2,441,513.87</u> | <u>\$ 1,496,440.00</u> | <u>\$ 1,776,715.88</u> | <u>\$ 2,161,237.99</u> | <u>\$ 348,914.20</u> |

Compensated absences for governmental activities typically have been liquidated from the General Fund and Special Education Fund.

During the fiscal year 2015 the School District issued \$1,495,000 in refunding bonds with an average interest rate of .45% to 2.10% to refund the following:

| Year Issued | Type | Average Interest Rate | Unpaid Principal at Time of Refunding |
|-------------|----------------------|--------------------------|--|
| 2010 | G.O. Refunding Bonds | 1.55% to 3.60% | \$ 1,450,000.00 |

The School District refunded the debt to reduce its total debt service payments over the next 7 years by \$65,310.48 and to obtain an economic gain of \$62,063.82.

The entire proceeds of the refunding issue in the amount of \$1,462,495.31 were deposited into an irrevocable trust with an escrow agent to provide for future debt service requirements on the refunded issue. As a result, the refunded bonds are considered to be defeased and the liability for them has been removed from the financial statements of the School District.

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

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

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

General Obligation Refunding Bonds Payable:

Series 2015; principal due in annual payments ranging from \$210,000 to \$225,000 with a final maturity date of December 15, 2021; interest rates vary from .45% to 2.10% depending on time to maturity; payment from the Bond Redemption Fund. \$ 1,495,000.00

Capital Outlay Certificates:

Series 2010; principal due in annual payments ranging from \$70,000 to \$95,000 with a final maturity date of December 15, 2021; interest rates vary from 1.25% to 3.75% depending on time to maturity; payment from the Capital Outlay Fund. 575,000.00

Capital Acquisition Leases:

Capital acquisition lease dated July 8, 2013 for the purchase of a 59 passenger school bus, annual payments with final maturity in July 2015. Payments are made from the Capital Outlay Fund. 27,081.48

Capital acquisition lease dated September 9, 2013 for the purchase of 90 computers and related equipment, semi-annual payments with final maturity in March 2016. Payments are made from the Capital Outlay Fund. 31,390.81

Capital acquisition lease dated December 6, 2013 for the purchase of a copier and related equipment, monthly payments with final maturity in November 2019. Payments are made from the Capital Outlay Fund. 31,325.70

Compensated Absences:

Vested annual leave; payments to be made from the General Fund and Special Education Fund. 1,440.00

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

| Year Ending June 30, | General Obligation Bonds | | CO Certificates | | Capital Leases | | Totals | |
|-------------------------|--------------------------|------------------|-------------------|------------------|------------------|-----------------|---------------------|-------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2016 | \$ 210,000 | \$ 19,270 | \$ 70,000 | \$ 17,963 | \$ 67,474 | \$ 1,748 | \$ 347,474 | \$ 38,981 |
| 2017 | 210,000 | 18,010 | 75,000 | 16,054 | 9,139 | 274 | 294,139 | 34,338 |
| 2018 | 205,000 | 16,146 | 80,000 | 13,745 | 9,278 | 135 | 294,278 | 30,026 |
| 2019 | 210,000 | 13,653 | 80,000 | 11,185 | 3,907 | 15 | 293,907 | 24,853 |
| 2020 | 215,000 | 10,515 | 85,000 | 8,356 | | | 300,000 | 18,871 |
| 2021-2025 | 445,000 | 9,122 | 185,000 | 6,986 | | | 630,000 | 16,108 |
| Totals | <u>\$ 1,495,000</u> | <u>\$ 86,716</u> | <u>\$ 575,000</u> | <u>\$ 74,289</u> | <u>\$ 89,798</u> | <u>\$ 2,172</u> | <u>\$ 2,159,798</u> | <u>\$ 163,177</u> |

NOTE 9 – RESTRICTED NET POSITION

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

| <u>Major Purposes</u> | <u>Restricted By</u> | <u>Amount</u> |
|-------------------------------|----------------------|------------------------|
| Major Funds: | | |
| Capital Outlay Purposes | Law | \$ 365,817.44 |
| Special Education Purposes | Law | 24,671.56 |
| Pension Purposes | Law | 38,622.55 |
| Debt Service Purposes | Debt Covenants | 222,293.12 |
| SDRS Pension Purposes | Law | <u>367,890.29</u> |
| Total Restricted Net Position | | <u>\$ 1,019,294.96</u> |

NOTE 10 – PENSION PLAN

Plan Information:

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

Benefits Provided:

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2015, 2014, and 2013 were \$74,362.15, \$73,802.83, and \$76,035.11, respectively, equal to the required contributions each year.

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

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

| | | |
|---|----|--------------------------|
| Proportionate share of net position restricted for pension benefits | \$ | 7,461,322.01 |
| Less proportionate share of total pension assets | | <u>6,954,553.23</u> |
| Proportionate share of net pension asset | \$ | <u><u>506,768.77</u></u> |

At June 30 2015, the School District reported an asset of \$506,768.77 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014 and the total pension asset used to calculate the net pension asset was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2014, the School District's proportion was .0703397%, which is an increase of .0703397% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension revenue of \$21,405.77. At June 30, 2015 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Difference between expected and actual experience | \$ 42,879.49 | \$ |
| Changes in assumption | 330,803.55 | |
| Net difference between projected and actual earnings on pension plan investments | | 586,923.67 |
| District contributions subsequent to the measurement date | <u>74,362.15</u> | |
| TOTAL | <u><u>\$ 448,045.19</u></u> | <u><u>\$ 586,923.67</u></u> |

\$74,362.15 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred

outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:

| | | |
|-------|----|---------------------|
| 2015 | \$ | (40,268.51) |
| 2016 | | (40,268.51) |
| 2017 | | (40,268.51) |
| 2018 | | <u>(92,435.10)</u> |
| TOTAL | \$ | <u>(213,240.63)</u> |

Actuarial Assumptions:

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

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

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

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

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

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

Discount Rate:

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

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

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

| | <u>1%</u> <u>Decrease</u> | Current Discount <u>Rate</u> | <u>1%</u> <u>Increase</u> |
|--|------------------------------|------------------------------------|------------------------------|
| School District's proportionate share of the net pension liability (asset) | \$ 500,782.86 | \$ (506,768.77) | \$ (1,328,532.30) |

Pension Plan Fiduciary Net Position:

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

NOTE 11 – POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description: Colman-Egan School District Health Plan is a single-employer defined benefit medical plan administered by the School District. The plan provides medical insurance benefits to eligible current employees, as well as retirees meeting eligibility requirements. After eligibility for retiree benefits is established, retirees must pay premiums until they are eligible for Medicare. SDCL 6-1-16 specifically allows any school district to provide health insurance for retiring employees and their immediate families. The liability exists because of an implicit subsidy of costs of the benefits to retirees of the district. Benefit provisions were established and may be amended during the negotiated agreement process between certified staff and the governing board. The health plan does not issue separately stated stand-alone financial statements.

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

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

| | |
|--|--------------------|
| Annual required contribution | \$ 2,772 |
| Interest on net OPEB obligation | (448) |
| Adjustment to annual required contribution | <u>739</u> |
| Annual OPEB cost (expense) | 3,063 |
| Contributions made | <u>(805)</u> |
| Increase in net OPEB obligation | 2,258 |
| Net OPEB obligation - beginning of year | <u>(14,926)</u> |
| Net OPEB obligation - end of year | <u>\$ (12,668)</u> |

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

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------|------------------|--|---------------------|
| 6/30/2013 | \$ 3,847 | 214.82% | \$ (17,755) |
| 6/30/2014 | 3,062 | 7.61% | (14,926) |
| 6/30/2015 | 3,063 | 26.28% | (12,668) |

Funded Status and Funding Progress: As of June 30, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$16,740, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$16,740.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

NOTE 12 - JOINT VENTURES

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

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

| | |
|------------------------------------|--------------|
| Baltic School District | 8.00% |
| Chester Area School District | 6.00% |
| Colman-Egan School District | 5.00% |
| Dell Rapids School District | 15.00% |
| Flandreau School District | 14.00% |
| Garretson School District | 7.00% |
| Howard School District | 9.00% |
| Madison Central School District | 15.00% |
| Oldham-Ramona School District | 4.00% |
| Rutland School District | 3.00% |
| Tri-Valley School District | 14.00% |

The co-op's governing board is composed of one school board member representative from each member school district. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget. The school district retains no equity in the net position of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above. Separate financial statements for this joint venture are available from the Prairie Lakes Educational Cooperative.

At June 30, 2015, this joint venture had total assets of \$58,533.85, total liabilities of \$83,972.65 and net position of \$(25,438.80).

NOTE 13 - RISK MANAGEMENT

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

Employee Health Insurance

The school district 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 of, or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation

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

Unemployment Benefits

The school district provides coverage for unemployment benefits by paying into the unemployment compensation fund established by state law and managed by the State of South Dakota.

During the year ended June 30, 2015, one claim was filed for unemployment benefits. At June 30, 2015, no claims were outstanding for unemployment benefits and none are anticipated in the next fiscal year.

NOTE 14 – EARLY RETIREMENT PLAN

The district maintains an early retirement plan for certified teachers and administrators. The plan is available to employees who choose early retirement between the ages of 55 and 61 and have at least fifteen years of continuous service with the district in a certified position. Under the plan, the district will pay up to 50% of the current salary contract. Such amounts are payable in semi-annual installments, spread over the next three years. These amounts are shown as liabilities until paid for the amount approved in the early retirement agreement. There were no payments made for early retirement during fiscal year 2015.

NOTE 15 – SIGNIFICANT CONTINGENCIES - LITIGATION

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

NOTE 16 – PRIOR PERIOD ADJUSTMENT

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

| | | |
|---|----|--------------------------|
| Net Position July 1, 2014, as previously reported | \$ | 95,208.60 |
| Restatement for pension accounting: | | |
| Net Pension Asset | | 198,319.54 |
| Pension related Deferred Outflows of Resources | | <u>74,362.15</u> |
| Net Position July 1, 2014, as restated | \$ | <u><u>367,890.29</u></u> |

**REQUIRED SUPPLEMENTARY INFORMATION
COLMAN-EGAN SCHOOL DISTRICT NO. 50-5
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

| | <u>Budgeted Amounts</u> | | Actual Amounts (Budgetary Basis) | Variance Positive (Negative) |
|---|-------------------------|---------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Revenue from Local Sources: | | | | |
| Taxes: | | | | |
| Ad Valorem Taxes | \$ 557,279.00 | \$ 557,279.00 | \$ 558,263.19 | \$ 984.19 |
| Prior Years' Ad Valorem Taxes | 7,000.00 | 7,000.00 | 5,910.12 | (1,089.88) |
| Utility Taxes | 50,000.00 | 50,000.00 | 48,396.90 | (1,603.10) |
| Penalties and Interest on Taxes | 2,000.00 | 2,000.00 | | (2,000.00) |
| Earnings on Investments/ Deposits | 1,000.00 | 1,000.00 | 448.08 | (551.92) |
| Cocurricular Activities: | | | | |
| Admissions | 19,500.00 | 19,500.00 | 17,952.66 | (1,547.34) |
| Rentals | 800.00 | 800.00 | 685.25 | (114.75) |
| Other Pupil Activity Income | 500.00 | 500.00 | | (500.00) |
| Other Revenue from Local Sources: | | | | |
| Rentals | 250.00 | 250.00 | 554.00 | 304.00 |
| Contributions and Donations | 3,000.00 | 3,000.00 | 250.00 | (2,750.00) |
| Medicaid | 12,500.00 | 12,500.00 | 5,938.38 | (6,561.62) |
| Other | | | 4,454.13 | 4,454.13 |
| Revenue from Intermediate Sources: | | | | |
| County Sources: | | | | |
| County Apportionment | 37,000.00 | 37,000.00 | 36,416.61 | (583.39) |
| Revenue from State Sources: | | | | |
| Grants-in-Aid: | | | | |
| Unrestricted Grants-in-Aid | 884,551.00 | 884,551.00 | 888,067.78 | 3,516.78 |
| Restricted Grants-in-Aid | 1,500.00 | 1,500.00 | 6,258.90 | 4,758.90 |
| Revenue from Federal Sources: | | | | |
| Restricted Grants-in-Aid Received from Federal Government through the State | 49,364.00 | 49,364.00 | 48,360.60 | (1,003.40) |
| Other Federal Revenue | 17,785.00 | 17,785.00 | 22,509.12 | 4,724.12 |
| Total Revenue | <u>1,644,029.00</u> | <u>1,644,029.00</u> | <u>1,644,465.72</u> | <u>436.72</u> |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular Programs: | | | | |
| Elementary School | 388,290.00 | 388,290.00 | 366,564.33 | 21,725.67 |
| Middle/Junior High | 84,363.00 | 84,363.00 | 77,896.53 | 6,466.47 |
| High School | 289,355.00 | 289,355.00 | 287,552.02 | 1,802.98 |
| Special Programs: | | | | |
| Educationally Deprived | 26,574.00 | 26,574.00 | 25,529.68 | 1,044.32 |

**REQUIRED SUPPLEMENTARY INFORMATION
COLMAN-EGAN SCHOOL DISTRICT NO. 50-5
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

| | <u>Budgeted Amounts</u> | | Actual Amounts (Budgetary Basis) | Variance Positive (Negative) |
|--|-------------------------|----------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Support Services: | | | | |
| Pupils: | | | | |
| Guidance | 47,435.00 | 47,435.00 | 45,309.11 | 2,125.89 |
| Health | 1,600.00 | 1,600.00 | | 1,600.00 |
| Support Services - Instructional Staff: | | | | |
| Improvement of Instruction | 40,740.00 | 40,740.00 | 38,891.97 | 1,848.03 |
| Educational Media | 107,419.00 | 107,419.00 | 88,290.01 | 19,128.99 |
| Support Services - General Administration: | | | | |
| Board of Education | 39,600.00 | 39,600.00 | 24,595.43 | 15,004.57 |
| Executive Administration | 142,262.00 | 142,262.00 | 140,616.85 | 1,645.15 |
| Support Services - School Administration: | | | | |
| Office of the Principal | 101,705.00 | 101,705.00 | 93,596.39 | 8,108.61 |
| Other | 800.00 | 800.00 | 117.36 | 682.64 |
| Support Services - Business: | | | | |
| Fiscal Services | 76,853.00 | 76,853.00 | 64,896.29 | 11,956.71 |
| Operation and Maintenance of Plan | 186,092.00 | 188,092.00 | 150,430.78 | 37,661.22 |
| Pupil Transportation | 123,815.00 | 123,815.00 | 94,459.31 | 29,355.69 |
| Support Services - Central: | | | | |
| Staff | 300.00 | 305.00 | 302.75 | 2.25 |
| Cocurricular Activities: | | | | |
| Combined Activities | 124,943.00 | 124,943.00 | 98,826.86 | 26,116.14 |
| Contingency | 50,000.00 | 47,995.00 | | 47,995.00 |
| Total Expenditures | <u>1,832,146.00</u> | <u>1,832,146.00</u> | <u>1,597,875.67</u> | <u>234,270.33</u> |
| Excess of Revenue Over (Under) | | | | |
| Expenditures | (188,117.00) | (188,117.00) | 46,590.05 | 234,707.05 |
| Other Financing Sources: | | | | |
| Transfer In | <u>61,227.00</u> | <u>61,227.00</u> | | <u>(61,227.00)</u> |
| Net Change in Fund Balances | (126,890.00) | (126,890.00) | 46,590.05 | 173,480.05 |
| Fund Balance - July 1, 2014 | <u>336,957.01</u> | <u>336,957.01</u> | <u>336,957.01</u> | |
| FUND BALANCE - JUNE 30, 2015 | <u>\$ 210,067.01</u> | <u>\$ 210,067.01</u> | <u>\$ 383,547.06</u> | <u>\$ 173,480.05</u> |

**REQUIRED SUPPLEMENTARY INFORMATION
COLMAN-EGAN SCHOOL DISTRICT NO. 50-5
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2015**

| | <u>Budgeted Amounts</u> | | Actual | Variance |
|--|-------------------------|---------------------|------------------------------|--------------------------------|
| | <u>Original</u> | <u>Final</u> | (Budgetary Basis) | Positive (Negative) |
| Revenues: | | | | |
| Revenue from Local Sources: | | | | |
| Taxes: | | | | |
| Ad Valorem Taxes | \$ 466,740.00 | \$466,740.00 | \$ 455,621.86 | \$ (11,118.14) |
| Prior Years' Ad Valorem Taxes | 3,000.00 | 3,000.00 | 2,781.17 | (218.83) |
| Penalties and Interest on Taxes | 1,500.00 | 1,500.00 | | (1,500.00) |
| Earnings on Investments/ Deposits | 200.00 | 200.00 | 184.55 | (15.45) |
| Other Revenue from Local Sources | <u>7,000.00</u> | <u>7,000.00</u> | <u>6,204.09</u> | <u>(795.91)</u> |
| Total Revenue | <u>478,440.00</u> | <u>478,440.00</u> | <u>464,791.67</u> | <u>(13,648.33)</u> |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular Programs: | | | | |
| Elementary | 34,000.00 | 34,000.00 | 14,767.94 | 19,232.06 |
| Middle/Junior High | 22,000.00 | 22,000.00 | 12,915.87 | 9,084.13 |
| High School | 34,000.00 | 34,000.00 | 19,167.88 | 14,832.12 |
| Support Services - Instructional Staff: | | | | |
| Educational Media | 7,300.00 | 7,300.00 | 4,654.72 | 2,645.28 |
| Support Services - General Administration: | | | | |
| Executive Administration | 6,000.00 | 6,000.00 | 834.98 | 5,165.02 |
| Support Services - School Administration: | | | | |
| Office of the Principal | 2,000.00 | 2,000.00 | 734.99 | 1,265.01 |
| Support Services - Business: | | | | |
| Fiscal Services | 21,450.00 | 21,450.00 | 3,983.48 | 17,466.52 |
| Facilities Acquisition and Construction | 6,000.00 | 6,000.00 | | 6,000.00 |
| Operation and Maintenance of Plan | 158,865.00 | 158,865.00 | 122,462.53 | 36,402.47 |
| Debt Services | 158,985.00 | 158,985.00 | 165,303.76 | (6,318.76) |
| Cocurricular Activities: | | | | |
| Combined Activities | <u>27,840.00</u> | <u>27,840.00</u> | <u>24,773.94</u> | <u>3,066.06</u> |
| Total Expenditures | <u>478,440.00</u> | <u>478,440.00</u> | <u>369,600.09</u> | <u>108,839.91</u> |
| Net Change in Fund Balance | 0.00 | 0.00 | 95,191.58 | 95,191.58 |
| Fund Balance - July 1, 2014 | <u>297,016.44</u> | <u>297,016.44</u> | <u>297,016.44</u> | |
| FUND BALANCE - JUNE 30, 2015 | <u>\$ 297,016.44</u> | <u>\$297,016.44</u> | <u>\$ 392,208.02</u> | <u>\$ 95,191.58</u> |

**REQUIRED SUPPLEMENTARY INFORMATION
COLMAN-EGAN SCHOOL DISTRICT NO. 50-5
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2015**

| | <u>Budgeted Amounts</u> | | Actual Amounts (Budgetary Basis) | Variance Positive (Negative) |
|--|-------------------------|-----------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Revenue from Local Sources: | | | | |
| Taxes: | | | | |
| Ad Valorem Taxes | \$ 282,743.00 | \$ 282,743.00 | \$288,626.06 | \$ 5,883.06 |
| Prior Years' Ad Valorem Taxes | 2,500.00 | 2,500.00 | 1,664.56 | (835.44) |
| Penalties and Interest on Taxes | 400.00 | 400.00 | 64.26 | (335.74) |
| Earnings on Investments/Deposits | 100.00 | 100.00 | 41.95 | (58.05) |
| Other Revenue from Local Sources: | | | | |
| Medicaid | 7,900.00 | 7,900.00 | 2,137.72 | (5,762.28) |
| Other | | | 240.00 | 240.00 |
| Revenue from State Sources: | | | | |
| Restricted Grants-in-Aid | 76,000.00 | 76,000.00 | 105,263.00 | 29,263.00 |
| Revenue from Federal Sources: | | | | |
| Grants-in-Aid: | | | | |
| Restricted Grants-in-Aid Received from Federal Government through State | 53,624.00 | 53,624.00 | 48,084.00 | (5,540.00) |
| Total Revenue | <u>423,267.00</u> | <u>423,267.00</u> | <u>446,121.55</u> | <u>22,854.55</u> |
| Expenditures: | | | | |
| Special Programs: | | | | |
| Programs for Special Education | 299,047.00 | 332,547.00 | 305,311.03 | 27,235.97 |
| Support Services: | | | | |
| Pupils: | | | | |
| Speech Pathology | 66,859.00 | 66,859.00 | 59,084.44 | 7,774.56 |
| Student Therapy Services | 35,038.00 | 35,038.00 | 13,009.38 | 22,028.62 |
| Support Services - Special Education: | | | | |
| Administrative Costs | 2,600.00 | 3,455.00 | 3,322.58 | 132.42 |
| Purchased Services | 2,750.00 | 2,800.00 | 1,789.07 | 1,010.93 |
| Transportation Costs | 19,000.00 | 19,000.00 | 13,470.10 | 5,529.90 |
| Preschool | 938.00 | 2,678.00 | 2,742.06 | (64.06) |
| Other | 15,700.00 | 18,900.00 | 14,073.61 | 4,826.39 |
| Total Expenditures | <u>441,932.00</u> | <u>481,277.00</u> | <u>412,802.27</u> | <u>68,474.73</u> |
| Net Change in Fund Balance | (18,665.00) | (58,010.00) | 33,319.28 | 91,329.28 |
| Fund Balance - July 1, 2014 | <u>(11,661.44)</u> | <u>(11,661.44)</u> | <u>(11,661.44)</u> | |
| FUND BALANCE - JUNE 30, 2015 | <u>\$ (30,326.44)</u> | <u>\$ (69,671.44)</u> | <u>\$ 21,657.84</u> | <u>\$ 91,329.28</u> |

**REQUIRED SUPPLEMENTARY INFORMATION
COLMAN-EGAN SCHOOL DISTRICT NO. 50-5
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
PENSION FUND
FOR THE YEAR ENDED JUNE 30, 2015**

| | <u>Budgeted Amounts</u> | | Actual | Variance |
|-------------------------------------|-------------------------|---------------------|------------------------------|--------------------------------|
| | <u>Original</u> | <u>Final</u> | (Budgetary Basis) | Positive (Negative) |
| Revenues: | | | | |
| Revenue from Local Sources: | | | | |
| Taxes: | | | | |
| Ad Valorem Taxes | \$ 56,008.00 | \$ 56,008.00 | \$ 54,329.84 | \$ (1,678.16) |
| Prior Years' Ad Valorem Taxes | 400.00 | 400.00 | 340.57 | (59.43) |
| Earnings on Investments/Deposits | <u>15.00</u> | <u>15.00</u> | <u>16.77</u> | <u>1.77</u> |
| Total Revenue | <u>56,423.00</u> | <u>56,423.00</u> | <u>54,687.18</u> | <u>(1,735.82)</u> |
| Expenditures: | | | | |
| Regular Programs: | | | | |
| Elementary School | 17,386.00 | 17,386.00 | 18,220.00 | (834.00) |
| Middle/Junior High | 3,456.00 | 3,456.00 | 3,275.00 | 181.00 |
| High School | 11,911.00 | 11,911.00 | 13,081.00 | (1,170.00) |
| Special Programs: | | | | |
| Programs for Special Education | | | 2,969.00 | (2,969.00) |
| Programs for Educationally Deprived | | | 1,229.00 | (1,229.00) |
| Support Services: | | | | |
| Pupils: | | | | |
| Guidance | 2,122.00 | 2,122.00 | 2,145.00 | (23.00) |
| Educational Media | | | 3,791.00 | (3,791.00) |
| General Administration: | | | | |
| Executive Administration | 6,191.00 | 6,191.00 | 5,822.00 | 369.00 |
| School Administration: | | | | |
| Office of the Principal | 4,728.00 | 4,728.00 | 4,703.00 | 25.00 |
| Business: | | | | |
| Other | | | | |
| Fiscal Services | 2,643.00 | 2,643.00 | 2,626.00 | 17.00 |
| Operation and Maintenance of Plant | 3,357.00 | 3,357.00 | 3,366.00 | (9.00) |
| Administration Costs | <u>2,385.00</u> | <u>2,385.00</u> | <u>2,385.00</u> | <u>2,385.00</u> |
| Total Expenditures | <u>54,179.00</u> | <u>54,179.00</u> | <u>61,227.00</u> | <u>(7,048.00)</u> |
| Net Change in Fund Balance | 2,244.00 | 2,244.00 | (6,539.82) | (8,783.82) |
| Fund Balance - July 1, 2014 | <u>44,554.37</u> | <u>44,554.37</u> | <u>44,554.37</u> | <u>44,554.37</u> |
| FUND BALANCE - JUNE 30, 2015 | <u>\$ 46,798.37</u> | <u>\$ 46,798.37</u> | <u>\$ 38,014.55</u> | <u>\$ (8,783.82)</u> |

**REQUIRED SUPPLEMENTARY INFORMATION
 COLMAN-EGAN SCHOOL DISTRICT NO. 50-5
 SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
 FOR THE YEAR ENDED JUNE 30, 2015**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Unit Credit (b) | Unfunded Actuarial Accrued Liability (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b-a)/c] |
|--------------------------------|--|--|--|--------------------------|---------------------------|---|
| 6/30/2013 | \$ 0.00 | \$ 16,740 | \$ 16,740 | 0.0% | \$1,239,738.16 | 1% |

Schedule of Required Supplementary Information
COLMAN-EGAN CENTRAL SCHOOL DISTRICT NO. 50-5
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY (ASSET)
South Dakota Retirement System

| | 2015 |
|---|--------------|
| District's proportion of the net pension liability (asset) | 0.0703397% |
| District's proportionate share of net pension liability (asset) | \$ (506,769) |
| District's covered-employee payroll | \$ 1,230,039 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | -41.20% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 107.3% |

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

Schedule of Required Supplementary Information
COLMAN-EGAN CENTRAL SCHOOL DISTRICT NO. 50-5
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS
South Dakota Retirement System

| | <u>2014</u> | <u>2015</u> |
|--|------------------|------------------|
| Contractually required contribution | <u>\$ 73,803</u> | <u>\$ 74,362</u> |
| Contributions in relation to the contractually required contribution | <u>\$ 73,803</u> | <u>\$ 74,362</u> |
| Contribution deficiency (excess) | <u>\$</u> | <u>\$</u> |
| District's covered-employee payroll | \$1,230,039 | \$1,239,738 |
| Contributions as a percentage of covered-employee payroll | 6.00% | 6.00% |

COLMAN-EGAN SCHOOL DISTRICT NO. 50-5
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
And for each major Special Revenue Fund with a legally required budget

NOTE 1 - BUDGET AND BUDGETARY ACCOUNTING

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

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

NOTE 2- USGAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

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

QUAM & BERGLIN, P.C.

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

(605) 356-3374

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
Colman-Egan School District No. 50-5
Moody 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 Colman-Egan School District No. 50-5, Moody County, South Dakota (School District), as of June 30, 2015 for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 29, 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control that we consider to be a significant deficiency, described in the accompanying Schedule of Audit Findings as Finding No. 2015-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Audit Findings as Finding No. 2015-002.

School District's Response to Findings

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

Purpose of this Report

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

Quam & Berglin, P.C.

Quam and Berglin, P.C.
Certified Public Accountants

December 29, 2015

COLMAN-EGAN SCHOOL DISTRICT NO. 50-5
SCHEDULE OF AUDIT FINDINGS
JUNE 30, 2015

PRIOR AUDIT FINDINGS:

Audit Finding Number 2014-001:

A material weakness was reported for a lack of segregation of duties for revenues. This comment results from the size of the district, which precludes staffing at a level sufficient to provide an ideal environment for internal control. This finding has not been corrected and is restated as a significant deficiency under current audit finding number 2015-001.

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings-Significant Deficiency:

Audit Finding Number 2015-001:

There is a significant deficiency resulting from a lack of segregation of duties for revenues.

Criteria:

In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping of the tasks related to the revenues. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management assertions.

Condition, Cause and Effect:

The size of the accounting staff employed by the entity precludes an adequate segregation of duties.

Recommendation:

We recommend that Colman-Egan School District officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating controls, whenever, and wherever, possible and practical.

Corrective Action Plan:

The Board of Directors has prepared a response to this finding, shown on page 50.

Compliance-Related Findings-Significant Deficiency:

Audit Finding Number 2015-002:

There is a significant deficiency resulting from the lack of publication of the budget for fiscal year 2015.

Criteria:

It is necessary to have the annual budget published in the designated newspaper on or before July 15th per SDCL 13-11-2.

Condition, Cause and Effect:

The annual budget needs to be published in the designated newspaper in order to provide adequate information regarding the fiscal responsibilities of the district.

Recommendation:

We recommend that Colman-Egan School District officials be cognizant of this publication responsibility.

Corrective Action Plan:

The Board of Directors has prepared a response to this finding, shown on page 50.



Tracey Olson, Superintendent
 Scott Hemmer, K-12 Principal
 Mary Beth Zwart, Board of Education President
 Luann Smith, Business Manager
 Amber Janousek, Secondary Administrative Assistant
 Bonnie Hemmer, Elementary Administrative Assistant

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Colman-Egan School District 50-5

“Developing Lifelong Learners”

Colman-Egan.k12.sd.us

CORRECTIVE PLAN OF ACTION

JUNE 30, 2015

Colman-Egan School District No. 50-5 has considered the lack of segregation of duties for the revenues function. At this time it is not cost effective for Colman-Egan School District to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by Colman-Egan School District to decrease the likelihood that financial data is adversely affected.

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

The Colman-Egan School Board will monitor the proper and timely publishing of the annual budget per SDCL 13-11-2.


 Business Manager


 Superintendent