DELL RAPIDS SCHOOL DISTRICT NO. 49-3

AUDIT REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2015

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DELL RAPIDS SCHOOL DISTRICT NO. 49-3
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KMWF & Associates, PC
Certified Public Accountants

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
Dell Rapids School District No. 49-3
Minnehaha 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 Dell Rapids School District No. 49-3, South Dakota (School District), as of June 30, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 15, 2016.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2015-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material

effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

School District's Response to Findings

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

Purpose of this Report

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

KMWF & Associates, PC

Dell Rapids, South Dakota
March 15, 2016

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

School Board
Dell Rapids School District No. 49-3
Minnehaha County, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Dell Rapids School District No. 49-3, South Dakota (School District) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2015. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the Dell Rapids School District No. 49-3 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2015-001 to be a material weakness.

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

Purpose of this Report

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

KMWF + Associates, PC

Dell Rapids, South Dakota
March 15, 2016

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

PRIOR FEDERAL AUDIT FINDINGS:

Prior Finding Number 2014-1:

A deficiency in controls existed due to a lack of segregation of duties. This finding has not been corrected and is restated as finding number 2015-001.

PRIOR OTHER AUDIT FINDINGS:

The lack of segregation of duties discussed above in finding number 2014-1 is the only prior other audit finding.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:

Financial Statements

a. An unmodified opinion was issued on the financial statements of each opinion unit.

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

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

Federal Awards

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

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

f. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a) except for a material weakness resulting from a lack of segregation of duties as discussed in finding number 2015-001.

g. The federal awards tested as major programs were:

	Special Education Cluster:
84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants
84.010	Title I Grants to Local Educational Agencies

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

i. Dell Rapids School District No. 49-3 did not qualify as a low-risk auditee.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Current Federal Audit Findings:

Internal Control-Related Findings - Material Weaknesses:

Finding Number 2015-001:

The major federal programs affected are the Special Education Cluster and Title I as noted on the previous page. This is the twelfth consecutive audit report in which this finding has appeared.

Criteria:
Internal controls should be in place that provide reasonable assurance that management directives are carried out in regards to the recording and processing of financial data.

Condition Found:
A deficiency in controls existed due to a lack of segregation of duties regarding the cash receipts, cash disbursements and payroll. This lack of segregation of duties could adversely affect the District's ability to record, process and report financial data and increases the risk of inaccurate financial statements and/or misappropriation of assets.

Questioned Costs:
There are no questioned costs.

Recommendation:
Implementation of compensating controls.

Corrective Action Plan:
The School District is aware of this problem, which is a result of the size of the school district which precludes staffing at a level sufficient to provide an ideal environment for internal controls. They have included a response to the finding on page 65.

Federal Compliance – Related Audit Findings and Questioned Costs:

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

Current Other Audit Findings:

Internal Control – Related Findings – Material Weaknesses:

The lack of segregation of duties discussed in finding number 2015-001 is the only other current finding noted. The governing board's response is the same as noted above.

INDEPENDENT AUDITOR'S REPORT

School Board
Dell Rapids School District No. 49-3
Minnehaha 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 Dell Rapids School District No. 49-3, 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Dell Rapids School District No. 49-3 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 Note 11 to the financial statements, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in Note 11 to the financial statements, the School District has retroactively restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2016, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

KMWF + Associates, PC

Dell Rapids, South Dakota
March 15, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- During the year, the District's revenues generated from taxes and other revenues of the governmental and business-type programs were $1,037,413.34 more than the $9,170,192.13 in governmental and business-type program expenditures.

- The total cost of the District's programs decreased by $1,512,112.33. Total costs for instruction, support services, community services, and cocurricular programs increased by $5,594.20 in FY2015. A loss of $1,236,360.83 on the sale of the old elementary school, and $206,130.19 of debt issuance costs, were recognized in FY2014.

- The general fund reported a $46,790.20 current year surplus, primarily due to controlling expenses.

- The District paid $585,000.00 toward debt principal this year and deposited an additional $294,446 into a Debt Service Sinking Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the District's operations in more detail than the government-wide statements.

    - The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.

    - Proprietary fund statements offer short- and long-term financial information about the activities that the school operates like businesses. Proprietary funds operated by the school are the Food Service Operation and Other Enterprise Funds for fee based programs such as the Before/After School Program, summer drivers' education, and athletic camps.

    - Fiduciary fund statements provide information about the financial relationships - like student organization accounts - in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the School government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of Dell Rapids School District's Government-wide and Fund Financial Statements

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

Government-wide Statements

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

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

- Increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the District you need to consider additional nonfinancial factors such as changes in the District's property tax base and changes in the state school aid funding formula from the State of South Dakota.

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

- Governmental Activities - This category includes the District's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, declam, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.

- Business-type Activities - The school charges a fee to students to help cover the costs of providing hot lunch services, activity camps, and summer drivers' education. The Food Service Fund and the Other Enterprise Funds are the only business-type activities of the District.

Fund Financial Statements

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

- State Law requires some of the funds.

- The School Board may establish other funds to control and manage money for particular purposes (like a Scholarship Trust).

The District has three kinds of funds:

- Governmental Funds – Most of the District's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.

- Proprietary Funds – Services for which the School charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service Enterprise Fund and the Other Enterprise Funds are the only proprietary funds maintained by the District.

- Fiduciary Funds – The District is the trustee, or fiduciary, for various external and internal parties. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of net position and a statement of changes in net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position changed as follows:

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2014	2015	2014	2015	2014	2015	2014-2015
Current and Other Assets	$7,461,786.10	$8,379,488.32	$215,987.62	$216,460.60	$7,677,773.72	$8,595,948.92	11.96%
Net Pension Asset	0.00	1,640,660.45	0.00	0.00	0.00	1,640,660.45	
Capital Assets (Net of Depreciation)	20,621,156.31	19,972,234.55	105,033.21	100,773.71	20,726,189.52	20,073,008.26	-3.15%
Total Assets	**$28,082,942.41**	**$29,992,383.32**	**$321,020.83**	**$317,234.31**	**$28,403,963.24**	**$30,309,617.63**	**6.71%**
Long-Term Liabilities Outstanding	$16,641,502.11	$15,996,79172	$0.00	$0.00	$16,641,502.11	$15,996,79172	-3.87%
Other Liabilities	608,263.35	603,69151	19,385.00	15,264.77	627,648.35	618,956.28	-138%
Total Liabilities	**$17,249,765.46**	**$16,600,483.23**	**$19,385.00**	**$15,264.77**	**$17,269,150.46**	**$16,615,748.00**	**-3.78%**
Deferred Inflows of Resources - Taxes Levied for Future Period	$2,548,256.23	$2,740,037.02	$0.00	$0.00	$2,548,256.23	$2,740,037.02	7.53%
Pension Related Deferred Inflows	0.00	1900.16139	0.00	0.00	0.00	1900.16139	
Total Deferred Inflows	**$2,548,256.23**	**$4,640,198.41**	**$0.00**	**$0.00**	**$2,548,256.23**	**$4,640,198.41**	**82.09%**
Pension Related Deferred Outlows of Resources	$0.00	$1451293.13	$0.00	$0.00	$0.00	$1451293.13	
Total Deferred Outflows	**$0.00**	**$1,451,293.13**	**$0.00**	**$0.00**	**$0.00**	**$1,451,293.13**	
Net Position:							
Invested in Capital Assets, Net of Related Debt	$4,023,416.04	$4,009,239.98	$105,033.21	$100,773.71	$4,128,449.25	$4,110,013.69	-0.45%
Restricted	3,163,966.19	5,056,273.33	0.00	0.00	3,163,966.19	5,056,273.33	59.81%
Unrestricted	1097,538.49	1,137,48150	196,602.62	201,195.83	1294,14111	1338,677.33	3.44%
Total Net Position	**$8,284,920.72**	**$10,202,994.81**	**$301,635.83**	**$301,969.54**	**$8,586,556.55**	**$10,504,964.35**	**22.34%**
Beginning Net Position	$9,117,940.49	$8,284,920.72	$286,192.73	$301635.83	$9,404,133.22	$8,586,556.55	
Prior Period Adjustment		$880,994.46				$880,994.46	
Adjusted Beginning Net Position	$9,117,940.49	$9,165,915.18	$286,192.73	$301635.83	$9,404,133.22	$9,467,551.01	
Increase (Decrease) in Net Position	($833,019.77)	$1037,079.63	$15,443.10	$333.71	($817,576.67)	$1037,413.34	
Percentage of Increase	-9.14%	12.52%	5.40%	0.11%	-8.69%	12.08%	

Total assets increased by $1,905,654.39 between June 30, 2014 and June 30, 2015. Net Pension Assets of $1,640,660.45 were recognized in FY2015, due to the new GASB 68 reporting requirements for the District's participation in the South Dakota Retirement System. Current assets increased by $918,175.20, while capital assets decreased by $653,181.26. The increase in current assets is primarily due to an increase in cash assets, including $435,282.82 in the Capital Outlay Fund and $300,083.58 in Debt Service Funds. Spring 2015 bids for a high school addition and remodeling project were higher than anticipated, and Capital Outlay funds designated for the project were carried over for re-bidding the project in FY2016. The decrease in capital assets is attributed to depreciation and disposal of the surplus technology building.

Total liabilities decreased by $653,402.46. Long-Term Liabilities Outstanding decreased by $644,710.39, mainly due to Debt Service payments. Other Liabilities decreased by $8,692.07.

Deferred Inflows of Resources increased by $2,091,942.18. $191,780.79 was due to increases in future period property taxes and utility taxes. $1,900,161.39 is attributed to recognition of pension related deferred inflows. $1,451,293.13 in pension related deferred outflows were also recognized in FY2015.

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

Changes in Net Position

The School's total revenues (excluding special items) totaled $10,207,605.47 (See Table A-2). $38,264.75 was generated from the sale of the surplus technology building and a school bus.

Approximately one-half of the District's revenue comes from property and other taxes, and approximately 30% comes from state aid. (See Figure A-2)

The District's expenses cover a range of services encompassing instruction, support services and food services. In FY2014, the District incurred a loss on the sale of the old elementary school, which resulted in nonprogammed charges of 11.73% of total FY2014 expenses. Considering all expenses other than nonprogrammed charges, District expenses increased by approximately 2.75% in FY2015. (See Figure A-3)

Figure A-2
Dell Rapids School District
Sources of Revenues for Fiscal Year 2015

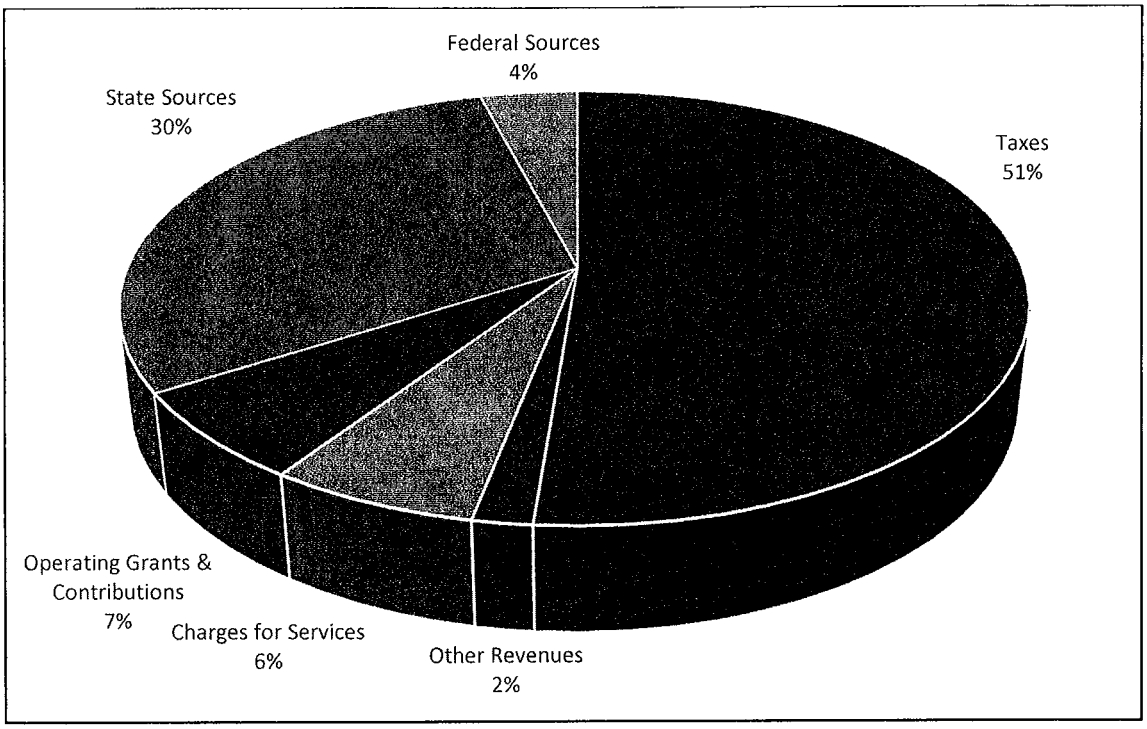
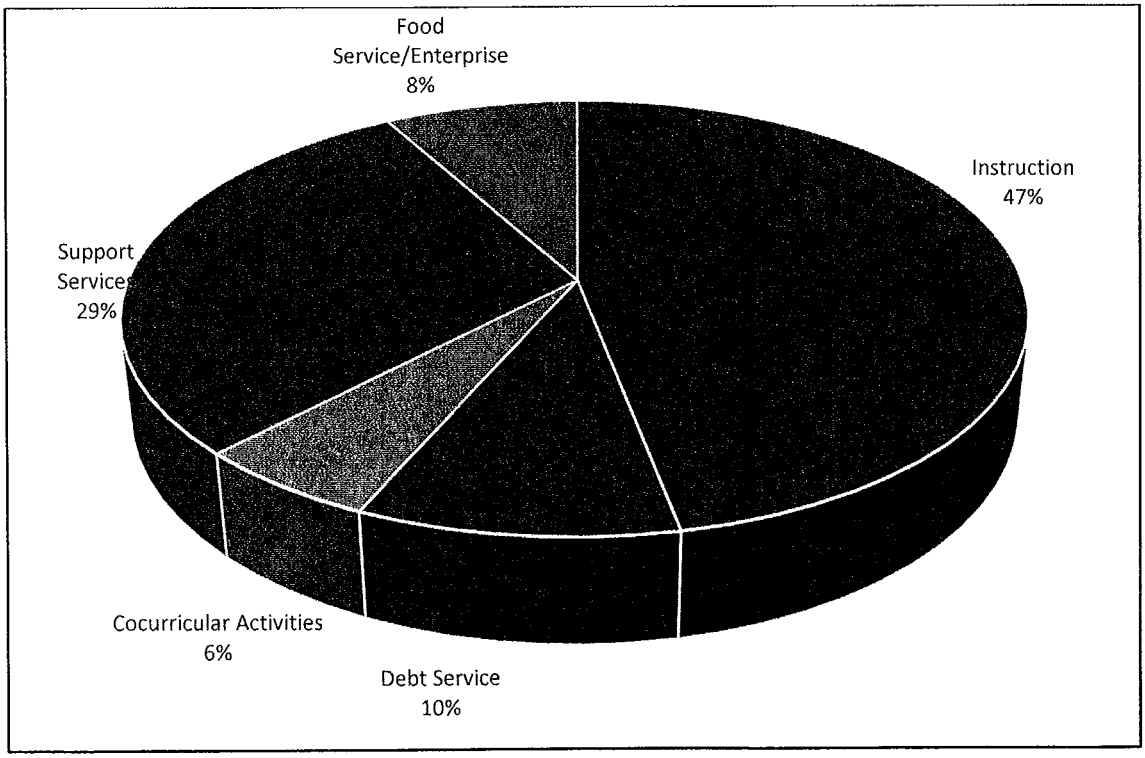


Figure A-3
Dell Rapids School District
Functional Expenses for Fiscal Year 2015



GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

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

Table A-2
Dell Rapids School District 49-3
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2014	2015	2014	2015	2014	2015	2014-2015
Revenues							
Program Revenues							
Charges for Services	$80,408.29	$94,908.31	$560,115.25	$554,165.94	$640,523.54	$649,074.25	1.33%
Operating Grants and Contributions	483,268.68	479,786.72	210,135.84	196,270.81	693,404.52	676,057.53	-2.50%
Capital Grants and Contributions	0.00	0.00			0.00	0.00	
General Revenues							
Taxes	5,047,979.87	5,237,201.51			5,047,979.87	5,237,201.51	3.75%
Revenue State Sources	3,001,841.63	3,049,354.68			3,001,841.63	3,049,354.68	1.58%
Revenue Federal Sources	79.11	268.27			79.11	268.27	239.11%
Revenue Intermediate Sources	48,296.43	50,802.22			48,296.43	50,802.22	5.19%
Revenue Local Sources	11,610.59	128,469.01			11,610.59	128,469.01	1006.48%
Unrestricted Investment Earnings	5,724.99	3,848.61	1,088.54	1,209.53	6,813.53	5,058.14	-25.76%
Federal Interest Reimbursement	414,178.57	411,319.86			414,178.57	411,319.86	-0.69%
Total Revenues	$9,093,388.16	$9,455,959.19	$771,339.63	$751,646.28	$9,864,727.79	$10,207,605.47	3.48%
Expenses							
Instruction	$4,362,309.74	$4,246,447.68			$4,362,309.74	$4,246,447.68	-2.66%
Support Services	2,707,682.90	2,738,295.88			2,707,682.90	2,738,295.88	1.13%
Community Services	4,071.84	0.00			4,071.84	0.00	-100.00%
Nonprogrammed Charges	1,252,819.89	0.00			1,252,819.89	0.00	-100.00%
Debt Service	1,165,873.66	905,570.98			1,165,873.66	905,570.98	-22.33%
Cocurricular Activities	433,649.90	528,565.02			433,649.90	528,565.02	21.89%
Food Service			510,712.46	493,635.52	510,712.46	493,635.52	-3.34%
Other Enterprise			245,184.07	257,677.05	245,184.07	257,677.05	5.10%
Total Expenses	$9,926,407.93	$8,418,879.56	$755,896.53	$751,312.57	$10,682,304.46	$9,170,192.13	-14.16%
Excess (Deficiency) Before Special Items and Transfers	($833,019.77)	$1,037,079.63	$15,443.10	$333.71	($817,576.67)	$1,037,413.34	-226.89%
Transfers	0.00	0.00	0.00	0.00	0.00	0.00	
Increase (Decrease) in Net Position	($833,019.77)	$1,037,079.63	$15,443.10	$333.71	($817,576.67)	$1,037,413.34	-226.89%
Net Position, Beginning	$9,117,940.49	$8,284,920.72	$286,192.73	$301,635.83	$9,404,133.22	$8,586,556.55	-8.69%
Prior Period Adjustment for GASB 68		$880,994.46				$880,994.46	
Net Position, Ending	$8,284,920.72	$10,202,994.81	$301,635.83	$301,969.54	$8,586,556.55	$10,504,964.35	22.34%

GOVERNMENTAL ACTIVITIES

Revenues from governmental activities increased by $362,571.03, or 3.99%. The main contributing factors were:

- Increased revenue from the per pupil allocation (property taxes and state aid).
- Increased Pension Fund and Capital Outlay Fund property tax, due to increased valuation.
- Gain on the sale of the surplus technology building.
- Recognition of $69,300.89 in South Dakota Retirement System pension revenue.

Expenditures from governmental activities decreased by $1,507,528.37. The main contributing factors were:

- A FY2014 loss of approximately $1,236,000.00 on the sale of the old elementary school
- Decrease of approximately $260,000.00 in Debt Service expenditures.

BUSINESS-TYPE ACTIVITIES

Revenues of the District's business-type activities (Food Service and Enterprise) decreased by approximately 2.55% to $751,646.28 and expenses increased by approximately .61% to $751,312.57. Factors contributing to these results included:

- Decreases in the United Way grant and fundraising for the Before/After School Program.
- A change in Driver's Ed Class scheduling to later in the summer, resulting in a reduction in FY2015 revenues and expenses.
- Normal increases in salaries, wages, and benefits.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Special Education Fund did not have a change in fund balance for the year.

The General Fund had a $46,790.20 increase in fund balance and the Pension Fund had an increase of $20,828.20.

The ending FY2015 Capital Outlay fund balance increased by $382,684.46. Budgeted expenditures for payment of utilities were shifted to the General Fund, expenditures for equipment and infrastructure improvements were less than budgeted, and the surplus technology building was sold.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- Supplemental appropriations and contingency transfers approved to prevent budget overruns for unanticipated, yet necessary, expenses.

- Supplemental budgets approved to reflect revenue from grants, contributions, and donations and related expenditures for the purchase of supplies and equipment.

- A supplemental appropriation approved for the payment of additional utility expense from the General Fund.

Favorable budget variances existed in various functional areas due to changes in personnel and their benefit elections, transportation fuel savings, and reduction in expenses for repairs, maintenance, and supplies.

CAPITAL ASSET ADMINISTRATION

By the end of fiscal year 2015, the District had invested $20,073,008.26 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-3.) This amount represents a net decrease (including additions and deductions) of $653,181.26, or 3.15%, over last year, resulting mainly from the sale of the old technology building and annual depreciation.

Table A-3

DELL RAPIDS SCHOOL DISTRICT - Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percent Change
	2014	2015	2014	2015	2014-2015	2014-2015
Land	$484,615.75	$480,615.75			-$4,000.00	-.83%
Buildings and Construction Work in Progress	18,860,911.96	18,346,074.22			-$514,837.74	-2.73%
Improvements	524,385.19	472,188.42			-$52,196.77	-9.95
Machinery and Equipment	751,243.41	673,356.16	$105,033.21	$100,773.71	-$82,146.75	-9.59%
Total Capital Assets	**$20,621,156.31**	**$19,972,234.55**	**$105,033.21**	**$100,773.71**	-$653,181.26	-3.15%

This year's capital asset purchases were a wrestling mat, a high jump pit, a car, a Cruising Café Kiosk, and library books.

The sale of the old technology building and a school bus generated a gain of $38,264.75.

LONG-TERM DEBT

At year-end, the District had $15,996,791.72 in General Obligation Bonds, Capital Outlay Certificates, and other long-term obligations. This is a decrease of 3.87%, as shown on Table A-4 below.

Table A-4

Dell Rapids School District 49-3
Outstanding Debt and Obligations

Table A-4
DELL RAPIDS SCHOOL DISTRICT 49-3 - Outstanding Debt and Obligations

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2014	2015	2014	2015	2014-2015	2014-2015
Bonds	$11,415,000.00	$11,020,000.00			-$395,000.00	-3.46%
Capital Outlay Certificates	5,082,244.00	4,892,244.00			-$190,000.00	-3.74%
Installment Purchase Contracts	100,496.27	50,750.57			-$49,745.70	-49.50%
Early Retirement	21,618.68	10,868.66			-$10,750.02	-49.73%
Accrued Leave	22,143.16	22,928.49			$785.33	3.55%
Total Outstanding Debt and Obligations	**$16,641,502.11**	**$15,996,791.72**	**$0.00**	**$0.00**	**-$644,710.39**	-3.87%

The District paid $585,000.00 in principal and $900,190.95 in interest for Capital Outlay Certificates, General Obligation Bonds, and Qualified School Construction Bonds. In addition, $294,446.00 (annual obligation) was put into a Debt Service sinking fund for payment of Qualified School Construction Bond principal at maturity in 2025.

In FY2014, two 71 passenger school buses were purchased under an installment contract. $51,775.73 was paid when the buses were received in FY2014. $49,745.70 in principal and $2,030.03 in interest were paid in FY2015. A final principal payment of $50,750.57 and interest of $1,025.16 will be paid in FY2016.

The District is liable for accrued annual vacation leave earned by full-time support staff.

The District maintains an early retirement plan, which allows teachers meeting certain qualifications to retire early and receive 35% of their last year's teaching salary in equal payments spread over the next three years. This plan allows the District to reduce the overall program cost by hiring lower paid teachers to replace the higher paid teachers.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's current economic position has shown some change. The School experienced an increase in total property valuation (2014 valuation for taxes payable in 2015) of $40,405,642.00, or 8.63% from the prior year. During calendar year 2015, additional revenue of approximately $121,000.00 will be generated for Capital Outlay Fund, and additional revenue of approximately $12,000.00 will be generated for the Pension Fund, due to the increase in valuation. The total amount which can be levied is limited by the State of South Dakota.

One of the primary sources of revenue to the District is based on a per student allocation from the State of South Dakota. The state aid formula ensures that property taxes plus state aid equal the per student allocation. Per pupil allocations from FY2011 through FY2016 are:

FY2016	$4,876.76 (2% increase)
FY2015	$4,781.14 (3.36% increase)
FY2014	$4,625.65 (2.32% increase)
FY2013	$4,490.07, plus a one-time $30.73 additional allocation (.75% increase)
FY2012	$4,389.95, plus a one-time $97.00 additional allocation (6.61% reduction)
FY2011	$4,804.60

In FY2012, when the per pupil allocation was reduced by 6.61%, two contract days were eliminated and staff reductions were made to reduce expenditures.

The District's student count has decreased slightly over the last five years, with state aid payments based on enrollment ranging from 919.72 in FY2011 to 908.03 in FY2016. Even with the slight decrease in enrollment, the FY2015 per pupil allocation will result in the District receiving about $48,000.00 additional revenue.

A capital project will begin in FY2016 for the construction of a high school addition with three science classrooms, renovation of high school locker rooms, and remodeling of the high school entrance for security purposes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Dell Rapids School District 49-3, 1216 North Garfield Avenue, Dell Rapids, SD 57022.

Dell Rapids School District 49-3
STATEMENT OF NET POSITION
June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	$ 5,615,859.41	$ 215,249.24	$ 5,831,108.65
Taxes Receivable	2,531,696.19		2,531,696.19
Other Assets	231,932.72	1,211.36	233,144.08
Net Pension Asset	1,640,660.45		1,640,660.45
Capital Assets:			
Land and Construction in Progress	480,615.75		480,615.75
Other Capital Assets, Net of Depreciation	19,491,618.80	100,773.71	19,592,392.51
TOTAL ASSETS	$ 29,992,383.32	$ 317,234.31	$ 30,309,617.63
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	1,451,293.13		1,451,293.13
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,451,293.13		1,451,293.13
LIABILITIES:			
Accounts Payable	$ 46,803.45	$ 6,497.35	$ 53,300.80
Other Current Liabilities	556,888.06		556,888.06
Unearned Revenue		8,767.42	8,767.42
Noncurrent Liabilities:			
Due Within One Year	689,113.39		689,113.39
Due in More than One Year	15,307,678.33		15,307,678.33
TOTAL LIABILITIES	16,600,483.23	15,264.77	16,615,748.00
DEFERRED INFLOWS OF RESOURCES:			
Taxes Levied for Future Period	2,740,037.02		2,740,037.02
Pension Related Deferred Inflows	1,900,161.39		1,900,161.39
TOTAL DEFERRED INFLOWS OF RESOURCES	4,640,198.41		4,640,198.41
NET POSITION:			
Net Investment in Capital Assets	4,009,239.98	100,773.71	4,110,013.69
Restricted for:			
Capital Outlay	1,901,442.56		1,901,442.56
Special Education	52,593.47		52,593.47
Debt Service	1,874,288.40		1,874,288.40
Pension	36,156.71		36,156.71
SDRS Pension Purposes	1,191,792.19		1,191,792.19
Unrestricted	1,137,481.50	201,195.83	1,338,677.33
TOTAL NET POSITION	$ 10,202,994.81	$ 301,969.54	$ 10,504,964.35

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

Dell Rapids School District 49-3
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-Type Expenses	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary Government:							
Governmental Activities:							
Instruction	$ 4,246,447.68	$ -	$ 359,636.79	$ -	$ (3,886,810.89)	$ -	$ (3,886,810.89)
Support Services	2,738,295.88	36,342.16	52,445.10		(2,649,508.62)		(2,649,508.62)
* Interest on Long-term Debt	905,570.98		411,319.86		(494,251.12)		(494,251.12)
Cocurricular Activities	528,565.02	58,566.15	67,704.83		(402,294.04)		(402,294.04)
Total Governmental Activities	8,418,879.56	94,908.31	891,106.58	-	(7,432,864.67)		(7,432,864.67)
Business-type Activities:							
Food Service	493,635.52	349,055.69	165,862.36			21,282.53	21,282.53
Before/After School Programs	229,048.04	176,853.53	30,408.45			(21,786.06)	(21,786.06)
Drivers' Education	4,942.19	4,610.00				(332.19)	(332.19)
Athletic Camps	23,686.82	23,646.72				(40.10)	(40.10)
Total Business-type Activities:	751,312.57	554,165.94	196,270.81	-	-	(875.82)	(875.82)
Total Primary Government	$ 9,170,192.13	$ 649,074.25	$ 1,087,377.39	$ -	$ (7,432,864.67)	$ (875.82)	$ (7,433,740.49)
General Revenues:							
Taxes:							
Property Taxes					5,033,917.91		5,033,917.91
Utility Taxes					203,283.60		203,283.60
Revenue from State Sources:							
State Aid					2,788,328.00		2,788,328.00
Other					261,026.68		261,026.68
Revenue from Federal Sources					268.27		268.27
Unrestricted Investment Earnings					3,848.61	1,209.53	5,058.14
Other General Revenues					179,271.23		179,271.23
Total General Revenue					8,469,944.30	1,209.53	8,471,153.83
Change in Net Position					1,037,079.63	333.71	1,037,413.34
Net Position - Beginning					8,284,920.72	301,635.83	8,586,556.55
Adjustments:							
Prior Period Adjustments GASB 68					880,994.46		880,994.46
Adjusted Net Position - Beginning					9,165,915.18	301,635.83	9,467,551.01
NET POSITION - ENDING					$ 10,202,994.81	$ 301,969.54	$ 10,504,964.35

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

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

Dell Rapids School District 49-3
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Elementary School Bond Redemption Fund	Qualified School Construction Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:							
Cash and Cash Equivalents	$ 1,570,843.22	$ 1,926,854.89	$ 180,719.95	$ 589,888.98	$ 1,179,505.35	$ 168,047.02	$ 5,615,859.41
Taxes Receivable--Current	942,283.83	729,638.13	360,440.45	325,391.60		149,602.27	2,507,356.28
Taxes Receivable--Delinquent	6,086.66	8,296.24	4,139.81	3,878.40		1,938.80	24,339.91
Due from Other Government	223,675.72		8,257.00				231,932.72
TOTAL ASSETS	$ 2,742,889.43	$ 2,664,789.26	$ 553,557.21	$ 919,158.98	$ 1,179,505.35	$ 319,588.09	$ 8,379,488.32
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:							
Liabilities:							
Accounts Payable	$ 10,903.22	$ -	$ 35,900.23	$ -	$ -	$ -	$ 46,803.45
Contracts Payable	371,521.18		60,330.11				431,851.29
Due to Other Government			14,901.00				14,901.00
Payroll Deductions and Withholdings and Employer Matching Payable	97,396.59		12,739.18				110,135.77
Total Liabilities	479,820.99	-	123,870.52	-	-	-	603,691.51
Deferred Inflows of Resources:							
Unavailable Revenue - Property Taxes	6,086.66	8,296.24	4,139.81	3,878.40		1,938.80	24,339.91
Unavailable Revenue - Utility Taxes	120,505.64						120,505.64
Taxes Levied for Future Period	982,152.81	763,346.70	377,093.22	340,424.22		156,514.43	2,619,531.38
Total Deferred Inflows of Resources	1,108,745.11	771,642.94	381,233.03	344,302.62	-	158,453.23	2,764,376.93
Fund Balances:							
Restricted:							
Capital Outlay		1,893,146.32					1,893,146.32
Special Education			48,453.66				48,453.66
Pension						46,162.44	46,162.44
Debt Service				574,856.36	1,179,505.35	114,972.42	1,869,334.13
Assigned	151,622.00						151,622.00
Unassigned	1,002,701.33						1,002,701.33
Total Fund Balances	1,154,323.33	1,893,146.32	48,453.66	574,856.36	1,179,505.35	161,134.86	5,011,419.88
TOTAL LAIBILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 2,742,889.43	$ 2,664,789.26	$ 553,557.21	$ 919,158.98	$ 1,179,505.35	$ 319,588.09	$ 8,379,488.32

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

Dell Rapids School District No. 49-3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2015

Total Fund Balances - Governmental Funds			$ 5,011,419.88
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	The cost of capital assets are	$ 27,637,295.61	
	Accumulated depreciation is	(7,665,061.06)	
	Net		19,972,234.55
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	Bonds	$ (11,020,000.00)	
	CO Certificates	(4,892,244.00)	
	Installment Contracts	(50,750.57)	
	Early Retirement	(10,868.66)	
	Accrued Leave	(22,928.49)	
	Net		(15,996,791.72)
Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.			24,339.91
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.			$ 1,640,660.45
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.			$ 1,451,293.13
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.			$ (1,900,161.39)
Net Position - Governmental Funds			$ 10,202,994.81

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

Dell Rapids School District 49-3
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	Elementary School Bond Redemption Fund	Qualified School Construction Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Revenue from Local Sources:							
Taxes:							
Ad Valorem Taxes	$ 1,886,894.04	$ 1,426,905.73	$ 720,785.10	$ 647,126.30	$ -	$ 310,486.79	$ 4,992,197.96
Prior Years' Ad Valorem Taxes	15,796.96	9,017.15	4,526.19	4,280.12		2,078.34	35,698.76
Utility Taxes	203,283.60						203,283.60
Penalties and Interest on Taxes	3,185.30	1,882.14	946.18	904.03		422.95	7,340.60
Tuition and Fees:							
Regular Day School Transportation Fees	14,904.00						14,904.00
Other Transportation Fees	17,098.16						17,098.16
Earnings on Investments and Deposits	797.16	1,528.31	10.43	539.93	770.47	202.31	3,848.61
Cocurricular Activities:							
Admissions	58,323.15						58,323.15
Other Pupil Activity Income	243.00						243.00
Other Revenue from Local Sources:							
Rentals	889.00						889.00
Contributions and Donations	30,843.28	51,578.34					82,421.62
Services Provided Other LEAs			4,340.00				4,340.00
Refund of Prior Years' Expenditures	3,065.94						3,065.94
Charges for Services	9,189.68		16,233.61				25,423.29
Other	10,126.43						10,126.43
Revenue from Intermediate Sources:							
County Sources:							
County Apportionment	50,802.22						50,802.22
Revenues from State Sources:							
Grants-in-Aid:							
Unrestricted Grants-in-Aid	2,718,315.68						2,718,315.68
Restricted Grants-in-Aid	9,000.00		322,039.00				331,039.00
Revenue from Federal Sources:							
Grants-in-Aid:							
Unrestricted Grants-in-Aid Received from Federal Government Through an Intermediate Source	268.27						268.27
Restricted Grants-in-Aid Received from Federal Government Through the State	132,207.00	20,104.81	219,630.00				371,941.81
Other Federal Revenue		211,701.14		199,618.72			411,319.86
Total Revenue	5,165,232.87	1,722,717.62	1,288,510.51	852,469.10	770.47	313,190.39	9,342,890.96

Dell Rapids School District 49-3
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	Elementary School Bond Redemption Fund	Qualified School Construction Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
Expenditures:							
Instruction:							
Regular Programs:							
Elementary	$ 993,047.46	$ 64,724.13	$ -	$ -	$ -	$ 40,000.00	$ 1,097,771.59
Middle/Junior High	858,241.09	97,804.20				33,000.00	989,045.29
High School	920,774.77	68,239.37				39,250.00	1,028,264.14
Special Programs:							
Programs for Special Education		1,866.53	839,496.75				841,363.28
Culturally Different	11,670.38						11,670.38
Educationally Deprived	83,651.39						83,651.39
Support Services:							
Pupils:							
Attendance and Social Work	6,000.00						6,000.00
Guidance	92,306.40						92,306.40
Health	47,440.56		26,412.67				73,853.23
Psychological			48,245.88				48,245.88
Speech Pathology			150,212.92				150,212.92
Student Therapy Services			63,482.53				63,482.53
Support Services - Instructional Staff:							
Improvement of Instruction	23,322.75		800.00				24,122.75
Educational Media	187,889.19	66,289.07					254,178.26
Support Services - General Administration:							
Board of Education	45,162.88						45,162.88
Executive Administration	153,286.54	3,593.41					156,879.95
Support Services - School Administration:							
Office of the Principal	327,698.31						327,698.31
Other	240.74						240.74
Support Services - Business:							
Fiscal Services	113,511.89	5,449.41					118,961.30
Facilities Acquisitions and Construction	5,000.00	115,484.12					120,484.12
Operation and Maintenance of Plant	728,531.61	5,269.68					733,801.29
Pupil Transportation	199,677.69	14,543.83					214,221.52
Internal Services	1,527.16	9,900.00					11,427.16
Support Services - Central:							
Staff	1,062.27						1,062.27
Other	11,690.91						11,690.91
Support Services - Special Education:							
Administrative Costs			14,838.27				14,838.27
Transportation Costs			97,471.76				97,471.76
Other Special Education Costs			47,549.96				47,549.96

Dell Rapids School District 49-3
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	Elementary School Bond Redemption Fund	Qualified School Construction Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
Nonprogrammed Charges:							
Early Retirement Payments	-	-	-	-	-	10,750.02	10,750.02
Debt Services		504,778.99		861,052.69		174,485.00	1,540,316.68
Cocurricular Activities:							
Male Activities	73,810.58						73,810.58
Female Activities	54,376.08						54,376.08
Transportation	72,655.26	2,749.00					75,404.26
Combined Activities	105,866.76	84,600.80					190,467.56
Capital Outlay		44,881.37					44,881.37
Total Expenditures	5,118,442.67	1,090,173.91	1,288,510.74	861,052.69	-	297,485.02	8,655,665.03
Excess of Revenue Over (Under) Expenditures	46,790.20	632,543.71	(0.23)	(8,583.59)	770.47	15,705.37	687,225.93
Other Financing Sources:							
Transfers In					294,446.00		294,446.00
Transfers Out		(294,446.00)					(294,446.00)
Sale of Surplus Property		44,586.75					44,586.75
Total Other Financing Sources (Uses)	-	(249,859.25)	-	-	294,446.00	-	44,586.75
Net Changes in Fund Balances	46,790.20	382,684.46	(0.23)	(8,583.59)	295,216.47	15,705.37	731,812.68
Fund Balance - Beginning	1,107,533.13	1,510,461.86	48,453.89	583,439.95	884,288.88	145,429.49	4,279,607.20
FUND BALANCE - ENDING	$ 1,154,323.33	$ 1,893,146.32	$ 48,453.66	$ 574,856.36	$ 1,179,505.35	$ 161,134.86	$ 5,011,419.88

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

Dell Rapids School District 49-3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds			$ 731,812.68
Amounts reported for governmental activities in the statement of activities are different because:			
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.			44,881.37
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.			(694,303.13)
In the statement of activities, gains ($42,764.75) and losses ($0) on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds ($42,264.75) from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.			500.00
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.			
	Bond	$ 395,000.00	
	CO Certificate	$ 190,000.00	
	Other Long-Term	49,745.70	
			634,745.70
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government wide statement in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".			(1,319.41)
Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits or elect to retire early.			
	Vacation Leave	$ (785.33)	
	Early Retirement	10,750.02	
			9,964.69
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (Pension Revenue)			69,300.89
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (Pension Expense)			241,496.84
Change in Net Position of Governmental Activities			$ 1,037,079.63

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

Dell Rapids School District No.49-3
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Food Service Fund	Other Enterprise Funds	Total Proprietary Funds
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	$ 119,210.18	$ 96,039.06	$ 215,249.24
Due from Other Government		1,211.36	1,211.36
Total Current Assets	119,210.18	97,250.42	216,460.60
Noncurrent Assets:			
Machinery and Equipment - Local Funds	137,771.10		137,771.10
Less: Accumulated Depreciation	(36,997.39)		(36,997.39)
Total Noncurrent Assets	100,773.71	-	100,773.71
TOTAL ASSETS	$ 219,983.89	$ 97,250.42	$ 317,234.31
LIABILITIES:			
Accounts Payable	$ -	$ 6,497.35	$ 6,497.35
Unearned Revenues	8,767.42		8,767.42
TOTAL LIABILITIES	$ 8,767.42	$ 6,497.35	$ 15,264.77
NET POSITION:			
Net Investment in Capital Assets	$ 100,773.71	$ -	$ 100,773.71
Unrestricted Net Position	110,442.76	90,753.07	201,195.83
Total Net Position	211,216.47	90,753.07	301,969.54
TOTAL LIABILITIES AND NET POSITION	$ 219,983.89	$ 97,250.42	$ 317,234.31

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

Dell Rapids School District No. 49-3
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Food Service Fund	Other Enterprise Funds	Total Proprietary Funds
Operating Revenue:			
Sales:			
Student	$ 339,649.79	$ 3,333.05	$ 342,982.84
Adults	9,405.90	$ 91.00	9,496.90
Other Charges for Goods and Services		201,686.20	201,686.20
Total Operating Revenue	349,055.69	205,110.25	554,165.94
Operating Expenses:			
Food Service:			
Salaries	13,954.97	161,441.36	175,396.33
Employee Benefits	2,956.09	29,272.28	32,228.37
Purchased Services	423,607.59	34,672.73	458,280.32
Supplies	5,980.70	20,263.15	26,243.85
Cost of Sales - Purchased		9,027.53	9,027.53
Cost of Sales - Donated	37,661.47		37,661.47
Other		3,000.00	3,000.00
Depreciation - Local Funds	9,474.70		9,474.70
Total Operating Expenses	493,635.52	257,677.05	751,312.57
Operating Income (Loss)	(144,579.83)	(52,566.80)	(197,146.63)
Nonoperating Revenue:			
Investment Earnings	127.65	1,081.88	1,209.53
Other Local Revenue		24,285.92	24,285.92
State Grants	3,078.17	1,500.00	4,578.17
Federal Grants	125,122.72	4,622.53	129,745.25
Donated Food	37,661.47		37,661.47
Total Nonoperating Revenue (Expense)	165,990.01	31,490.33	197,480.34
Change in Net Position	21,410.18	(21,076.47)	333.71
Net Position - Beginning	189,806.29	111,829.54	301,635.83
NET POSITION - ENDING	$ 211,216.47	$ 90,753.07	$ 301,969.54

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

Dell Rapids School District No. 49-3
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Food Service Fund	Other Enterprise Funds	Total Proprietary Funds
Cash Flows from Operating Activities			
Receipts from Customers	$ 350,515.42	$ 201,660.25	$ 552,175.67
Payments to Employees for Services	(16,911.06)	(190,713.64)	(207,624.70)
Payments to Suppliers of Goods and Services	(429,588.29)	(69,093.37)	(498,681.66)
Net Cash Provided (Used) by Operating Activities	(95,983.93)	(58,146.76)	(154,130.69)
Cash Flows from Noncapital Financing Activities:			
Operating Grants	128,200.89	30,449.78	158,650.67
Net Cash Flows from Noncapital Financing Activities	128,200.89	30,449.78	158,650.67
Cash Flows from Capital and Related Financing Activities:			
Purchase of Capital Assets	(5,215.20)		(5,215.20)
Net Cash Flows from Capital and Related Financing Activities	(5,215.20)	-	(5,215.20)
Cash Flows from Investing Activities:			
Interest Earnings	127.65	3,009.31	3,136.96
Net Increase (Decrease) in Cash and Cash Equivalents	$ 27,129.41	$ (24,687.67)	$ 2,441.74
Cash and Cash Equivalents at Beginning of Year	$ 92,080.77	$ 120,726.73	$ 212,807.50
Cash and Cash Equivalents at End of Year	119,210.18	96,039.06	215,249.24
Net Increase (Decrease) in Cash and Cash Equivalents	$ 27,129.41	$ (24,687.67)	$ 2,441.74
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	$(144,579.83)	$ (52,566.80)	$(197,146.63)
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	9,474.70	-	9,474.70
Value of Donated Commodities Used	37,661.47		37,661.47
Change in Assets and Liabilities:			
Accounts Payable		(2,129.96)	(2,129.96)
Unearned Revenue	1,459.73	(3,450.00)	(1,990.27)
Net Cash Provided (Used) by Operating Activities	$ (95,983.93)	$ (58,146.76)	$(154,130.69)
Noncash Investing, Capital and Financing Activities:			
Loss on Disposal of Capital Assets Not Affecting			
Value of Commodities Received	$ 37,661.47		$ 37,661.47

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

Dell Rapids School District No. 49-3
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2015

	Agency Funds
ASSETS:	
Cash and Cash Equivalents	$ 71,349.12
Investments, at Fair Value	46,867.28
TOTAL ASSETS	$ 118,216.40
LIABILITIES:	
Amounts Held for Others	$ 118,216.40
NET POSITION:	-
TOTAL LIABILITIES AND NET POSITION	$ 118,216.40

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity

The reporting entity of Dell Rapids School District No. 49-3 (School District),consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The School District participates in a cooperative service unit with ten 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 are displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as programs 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, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

Governmental Funds:

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

Special Revenue 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 School District. This fund is financed by grants and property taxes. This is a major fund.

Pension Fund - a fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the School District's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is not 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.

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. Three Bond Redemption Funds are maintained by the School District – the Elementary School Bond Redemption Fund, the Middle School Bond Redemption Fund and the Qualified School Construction Bond Fund. The Elementary School Bond Redemption Fund and the Qualified School Construction Bond Fund are major funds. The Middle School Bond Redemption Fund is not a major fund.

Proprietary Funds:

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

a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges 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 account for fee based programs such as before/after school programs, drivers' education and athletic camps. This is not a major fund.

Fiduciary Funds:

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

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 to hold assets as an agent in a trustee capacity for various classes, clubs, and clearing accounts.

c. Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary 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 30 days. The revenues which are accrued at June 30, 2015 are:

Title I reimbursement receivable	$ 20,819.00
Title IIA reimbursement receivable	$ 10,111.00
Perkins grant reimbursement receivable	$ 8,767.00
IDEA reimbursement receivabe	$ 8,257.00
Rural electric utility taxes receivable	$ 63,473.08
CACFP reimbursement receivable	$ 1,211.36

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

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

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

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 entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6. As of June 30, 2015, the School District did not have any investments.

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 Financial 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 fund's operations, construction period interest is capitalized in accordance with USGAAP.

The total June 30, 2015 balance of capital assets for governmental activities includes approximately nine percent for which the costs were determined by estimates of the original cost. The total June 30, 2015 balance of capital assets for business-type activities are valued at original cost.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All Land	-----N/A-----	-----N/A-----
Improvements other than Buildings	$ 15,000.00	Straight-line	20 yrs.
Buildings	$ 50,000.00	Straight-line	50 yrs.
Building Improvements	$ 25,000.00	Straight-line	20 yrs.
Machinery and Equipment	$ 5,000.00	Straight-line	10-15 yrs.
Food Service Equipment	$ 3,000.00	Straight-line	12 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

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 primarily consist of compensated absences, early retirement benefits payable, capital outlay certificates payable, bonds payable, and installment contracts payable.

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

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 do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

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

k. Application of Net Position

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

l. Fund Balance Classification Policies and Procedures

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

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

The Governing Board committed the following fund balance types by taking the following action:

The General Fund Assigned Fund Balance as authorized by the Governing Board is comprised of the following:

Assigned for the Subsequent Year's Budget	$151,622.00

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 Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

m. Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses (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.

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

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. There were no investments held as of June 30, 2015.

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

	Bank Balance
Insured (FDIC/NCUA)	$ 775,635.14
Uninsured, collateral jointly held by state's/School's agent in the name of the state and the pledging financial institution.	
Uninsured, uncollateralized	5,307,852.07
Total Deposits	$ 6,083,487.21

The School District's carrying amount of deposits at June 30, 2015 was $5,949,325.05.

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

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

3. RECEIVABLES AND PAYABLES

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

4. INVENTORY

Inventory for Resale is stated at the lower of cost or market. The cost valuation method is current cost, First-In, First-Out (FIFO) basis. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

In the government-wide financial statements, and 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 purchased. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The district's inventory of consumable supplies at June 30, 2015 was not material to the financial statements.

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 intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

6. CHANGES IN CAPITAL ASSETS

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

Primary Government

	Balance 7/1/2014	Increases	Decreases	Balance 6/30/2015
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$484,615.75		$4,000.00	$480,615.75
Total, not being depreciated	484,615.75	0.00	$4,000.00	480,615.75
Capital assets, being depreciated:				
Improvements	1,019,303.64			1,019,303.64
Buildings	24,722,849.96		90,000.00	24,632,849.96
Machinery and Equipment	1,498,337.65	49,381.37	43,192.76	1,504,526.26
Total, being depreciated	27,240,491.25	49,381.37	133,192.76	27,156,679.86
Less accumulated depreciation for:				
Improvements	494,918.45	52,196.77		547,115.22
Buildings	5,861,938.00	514,837.74	90,000.00	6,286,775.74
Machinery and Equipment	747,094.24	127,268.62	43,192.76	831,170.10
Total accumulated depreciation	7,103,950.69	694,303.13	133,192.76	7,665,061.06
Total capital assets, being depreciated, net	20,136,540.56	(644,921.76)	0.00	19,491,618.80
Governmental activity capital assets, net	$ 20,621,156.31	$ (644,921.76)	$4,000.00	$ 19,972,234.55

** Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	$ 356,791.77
Support Services	194,315.84
Co-curricular Activities	143,195.52
Total depreciation expense - governmental activities	$ 694,303.13

	Balance 7/1/2014	Increases	Decreases	Balance 6/30/2015
Business-type activities:				
Capital assets, being depreciated:				
Machinery and Equipment	$ 132,555.90	$ 5,215.20		$ 137,771.10
Less accumulated depreciation for:				
Machinery and Equipment	27,522.69	9,474.70		36,997.39
Total capital assets, being depreciated, net	105,033.21	(4,259.50)	-	100,773.71
Business-type activity capital assets, net	$ 105,033.21	$ (4,259.50)	$ -	$ 100,773.71

**Depreciation expense was charged to functions as follows:

Business-type activities:	
Food Service - Current Year Depreciation	$ 9,474.70

There was no Construction Work in Progress on June 30, 2015.

7. LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
General Obligation	$ 11,415,000.00	$ -	$ 395,000.00	$ 11,020,000.00	$ 420,000.00
Capital Outlay Certificates	5,082,244.00	-	190,000.00	4,892,244.00	190,000.00
Installment Contracts	100,496.27	-	49,745.70	50,750.57	50,750.57
Total Debt	16,597,740.27	-	634,745.70	15,962,994.57	660,750.57
Early Retirement Payable-Governmental Funds	21,618.68	-	10,750.02	10,868.66	5,434.33
Accrued Compensated Absences-Governmental Funds	22,143.16	40,090.58	39,305.25	22,928.49	22,928.49
Total Governmental Activities	$ 16,641,502.11	$ 40,090.58	$ 684,800.97	$ 15,996,791.72	$ 689,113.39

Compensated absences for governmental activities typically have been liquidated from the General Fund and Special Education Fund. Early Retirement Benefits payable for governmental activities typically have been liquidated from the Pension Fund.

Annual payments of $294,446.00 are being made into a Sinking Fund for the payment of QSCB certificate principal at maturity in 2025.

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

Primary Government:

Governmental Activities:

Bonds Payable – Payable from Bond Redemption Fund

Series 2010A-2; Build America Bonds; Maturity – 6/30/2035; Interest Rate – 3.073% to 6.407%
Series 2010B; Maturity – 7/1/2019; Interest Rate - .9% to 3.3%

Total $11,020,000.00

Capital Outlay Certificates – Payable from Capital Outlay Fund

2010; Qualified School Construction Bonds; Maturity – 6/1/2025; Interest Rate – 6.05%
2012; Refunding Certificates; Maturity – 7/15/2019; Interest Rate - .75% to 1.7%

Total $4,892,244.00

Installment Contract Payable – Capital Lease

2013 Bus Purchase; Maturity – 10/2015; Interest Rate – 2%

Total $50,750.57

The purchase price at the commencement of the financing (capital acquisition) lease was:

Principal	$ 152,272.00
Interest	3,055.19
Total	$ 155,327.19

Early Retirement Benefits Payable

Teachers retiring between the ages of 55 and 62, with 20 years of service in the District, may elect to apply for a retirement incentive. Up to three teachers per year may take the retirement incentive. Each teacher granted the retirement incentive receives an employer contribution to a 403(b) on-ERISA employer funded plan of 35% of his/her last year's teaching salary. The benefit is paid in three equal annual installments, beginning the year following retirement. Because the retirement is limited to three teachers per year, the maximum number of teachers receiving payment in any giving school year is nine.

The amount payable for one retired teacher is $10,868.66. $5,434.33 is payable in July 2015 and $5,434.33 in July 2016.

Total	$ 10,868.66

Compensated Absences

Accrued vacation leave for full-time employees from General Fund.

Total	$ 22,928.49

Primary Government:

Governmental Activities:

The annual debt service requirements to maturity, except for compensated absences of $22,928.49, for all debt outstanding as of June 30, 2015 are as follows:

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

Year Ending June 30,	Capital Outlay Certificates		General Obligaiton Bonds		Installment Contracts		Early Retirement Benefits Payable		TOTALS	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	190,000	259,528	420,000	626,707	50,751	1,025	5,434		666,185	887,260
2017	190,000	257,723	460,000	611,648			5,434		655,434	869,371
2018	195,000	255,538	485,000	593,742					680,000	849,280
2019	195,000	252,711	510,000	573,574					705,000	826,285
2020		249,396	350,000	551,330					350,000	800,726
2021-2025	4,122,244	1,246,979	2,170,000	2,423,845					6,292,244	3,670,824
2026-2030			2,880,000	1,669,611					2,880,000	1,669,611
2031-2035			3,745,000	624,522					3,745,000	624,522
TOTALS	$ 4,892,244	$ 2,521,875	$ 11,020,000	$ 7,674,979	$ 50,751	$ 1,025	$ 10,868	$ -	$ 15,973,863	$ 10,197,879

8. OPERATING LEASES

The District leases two copier/printers for each of the three school buildings.

The District has a four-year lease for six Savin MP6002 copier/printers that began in July 2013, with a monthly payment of $825.00 from the Capital Outlay Fund. Total lease expenditures for the fiscal year ended June 30, 2015 were $9,900.00.

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

Year	Capital Outlay Fund Amount
FY2016	$9,900.00
FY2017	$9,900.00

9. INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS

There were no interfund receivable or payable balances on June 30, 2015.

There was one interfund transfer for the year ended June 30, 2015.

A transfer for $294,446.00 was made from the Capital Outlay Fund to a Debt Service Fund. The purpose of the transfer was to make the fourth of fourteen payments into a sinking fund for the 2025 redemption of $4,122,244.00 in Qualified School Construction bond principal.

10. RESTRICTED NET POSITION

Restricted Net Position for the year ended June 30, 2015 was as follows:

Fund	Restricted By	Amount
Special Education	Law	$ 52,593.47
Capital Outlay	Law	1,901,442.56
Pension	Law	36,156.71
Debt Service	Debt Covenants	1,874,288.40
SDRS Pension Purposes	Law	1,191,792.19
Total Restricted Net Position		$ 5,056,273.33

These balances are restricted due to federal grant and statutory requirements.

11. PRIOR PERIOD ADJUSTMENTS

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

Net Position July 1, 2014, as previously reported	$ 8,284,920.72
Restatement for pension accounting:	
Net Pension Asset	642,058.15
Pension related Deferred Outflows of Resources	238,936.31
Net Position July 1, 2014, as restated	$9,165,915.18

12. PENSION PLAN

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

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

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

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

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

Contributions:
Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The District's share of contributions to the SDRS for the fiscal years ended June 30, 2015, 2014, and 2013 were $241,496.84, $238,936.30, and $242,433.29, 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	$24,155,979
Less Proportionate share of total pension liability	$22,515,319
Proportionate share of net pension liability (asset)	$ (1,640,660)

At June 30 2015, the School District reported a liability (asset) of $(1,640,660) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2014 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2014, the School District's proportion was .2277243%.

For the year ended June 30, 2015, the School District recognized pension expense (revenue) of $(69,301). At June 30, 2015 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience.	$ 138,822	$ -
Changes in assumption.	$1,070,974	$ -
Net Difference between projected and actual earnings on pension plan investments.	$ -	$1,900,161
Changes in proportion and difference between District contributions and proportionate share of contributions.	$ -	$ -
District contributions subsequent to the measurement date.	$ 241,497	$ -
TOTAL	$1,451,293	$1,900,161

$241,497 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:

2016	$(130,369)
2017	$(130,369)
2018	$(130,369)
2019	$(299,258)
2020	$
Thereafter	$
TOTAL	$(690,365)

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:

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

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 will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

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

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net pension liability (asset)	$1,621,281	$(1,640,660)	$(4,301,114)

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

13. POST EMPLOYMENT HEALTH CARE PLAN

The School District pays a set rate toward medical insurance premiums for current employees.

Eligible retirees and their qualified dependents are allowed to continue with the School District's group medical and/or dental insurance coverage until age 65. An eligible retiree must qualify for benefits under the South Dakota Retirement System Rule of 85 and have been a participant in the insurance plan for the 12 months immediately prior to retirement. Retirees continuing with the School District's group medical or health insurance coverage pay 100% of the insurance premium.

14. JOINT VENTURES

The School District participates in the joint venture known as Prairie Lakes Educational Cooperative formed for the purpose of providing special education 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	8%
Chester	6%
Colman-Egan	5%
Dell Rapids	15%
Flandreau	14%
Garretson	7%
Howard	9%
Madison Central	15%
Oldham - Ramona	4%
Rutland	3%
Tri-Valley	14%

The Prairie Lakes Educational Cooperative's governing board is composed of one representative from each member school district, who is a school board member. The board is responsible for adopting the joint venture'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 joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Prairie Lakes Educational Cooperative.

At June 30, 2015, this joint venture had total assets of $148,202.54, total liabilities of $94,406.65 and a net position of $53,795.89.

15. RISK MANAGEMENT

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

Employee Health Insurance

The school district joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The school district pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. Four coverage plans are offered with deductibles ranging from $1,000 per person/$2,000 per family up to $2,500 per person/$5,000 per family. The plans also provide for coinsurance of 80 percent with a maximum of $7,500 per person/$15,000 per family.

The school district does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have never exceeded the liability coverage during the past three years.

Liability Insurance

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

Worker's Compensation

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

Unemployment Benefits

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

During the year ended June 30, 2015, no claims were filed for unemployment benefits. $2,500.00 has been budgeted for unemployment benefits that may be filed in the next fiscal year.

16. SIGNIFICANT CONTINGENCIES - LITIGATION

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

17. SIGNIFICANT CONTINGENCIES – BENEFITS FUND

The School District is a member of the South Dakota School District Benefits Fund. This Fund has a significant deficit position. If the School District would leave the Fund, they would be liable for their share of the deficit. At this time the School District does not intend to leave the Fund.

18. SUBSEQUENT EVENTS

In December 2015, the Dell Rapids School District accepted a bid in the amount of $1,502,000 for the construction of the High School Addition. The construction began in January 2016 and is expected to be completed by September 2016.

Management has evaluated subsequent events to March 15, 2016, the date which the financial statements were available to be issued, and determined that no other events occurring subsequent to the end of the fiscal year merit recognition or disclosure in these statements.

REQUIRED SUPPLEMENTARY INFORMATION
Dell Rapids School District 49-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	$ 1,886,732.00	$ 1,886,732.00	$ 1,886,894.04	$ 162.04
Prior Years' Ad Valorem Taxes			15,796.96	15,796.96
Utility Taxes	183,000.00	183,000.00	203,283.60	20,283.60
Penalties and Interest on Taxes	4,000.00	4,000.00	3,185.30	(814.70)
Tuition and Fees:				
Regular Day School Transportation Fees	13,000.00	13,000.00	14,904.00	1,904.00
Other Transportation Fees	15,000.00	15,000.00	17,098.16	2,098.16
Earning Investments and Deposits	1,000.00	1,000.00	797.16	(202.84)
Cocurricular Activities:				
Admissions	48,000.00	58,000.00	58,323.15	323.15
Other Pupil Activity Income	1,000.00	1,000.00	243.00	(757.00)
Other Revenue from Local Sources:				
Rentals	1,200.00	1,200.00	889.00	(311.00)
Contributions and Donations	35,600.00	49,255.28	30,843.28	(18,412.00)
Refund of Prior Years' Expenditures			3,065.94	3,065.94
Charges for Services	23,000.00	23,000.00	9,189.68	(13,810.32)
Other	1,500.00	1,500.00	10,126.43	8,626.43
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	50,000.00	50,000.00	50,802.22	802.22
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	2,723,871.00	2,723,871.00	2,718,315.68	(5,555.32)
Restricted Grants-in-Aid		9,000.00	9,000.00	-
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received from Federal Government Through an Intermediate Source	100.00	100.00	268.27	168.27
Restricted Grants-in-Aid Received from Federal Government Through the State	135,597.00	135,697.00	132,207.00	(3,490.00)
Total Revenue	$ 5,122,600.00	$ 5,155,355.28	$ 5,165,232.87	$ 9,877.59

REQUIRED SUPPLEMENTARY INFORMATION
Dell Rapids School District 49-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance Favorable
	Original	Final	(Budgetary Basis)	(Unfavorable)
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	$ 1,066,366.00	$ 1,012,197.64	$ 993,047.46	$ 19,150.18
Middle/Junior High	895,728.00	895,728.00	858,241.09	37,486.91
High School	956,071.00	959,956.04	920,774.77	39,181.27
Special Programs:				
Culturally Different	12,872.00	12,872.00	11,670.38	1,201.62
Educationally Deprived	83,600.00	83,700.00	83,651.39	48.61
Support Services:				
Pupils:				
Attendance and Social Work	6,000.00	6,000.00	6,000.00	-
Guidance	92,870.00	92,870.00	92,306.40	563.60
Health	48,375.00	48,375.00	47,440.56	934.44
Support Services - Instructional Staff:				
Improvement of Instruction	18,750.00	27,750.00	23,322.75	4,427.25
Educational Media	217,637.00	217,657.00	187,889.19	29,767.81
Support Services - General Administration:				
Board of Education	46,864.00	55,864.00	45,162.88	10,701.12
Executive Administration	156,116.00	156,116.00	153,286.54	2,829.46
Support Services - School Administration:				
Office of the Principal	328,702.00	328,702.00	327,698.31	1,003.69
Other	1,100.00	1,100.00	240.74	859.26
Support Services - Business:				
Fiscal Services	117,310.00	117,310.00	113,511.89	3,798.11
Facilities Acquisition and Construction		5,000.00	5,000.00	-
Operation and Maintenance of Plant	692,902.00	845,902.00	728,531.61	117,370.39
Pupil Transportation	209,825.00	209,825.00	199,677.69	10,147.31
Internal Services	2,700.00	2,700.00	1,527.16	1,172.84
Support Services - Central:				
Staff	1,450.00	1,450.00	1,062.27	387.73
Other	19,440.00	19,440.00	11,690.91	7,749.09
Community Services:				
Nonpublic School	2,826.00	2,826.00	-	2,826.00
Nonprogrammed Charges:				
Payments to State - Unemployment	2,500.00	2,500.00	-	2,500.00

REQUIRED SUPPLEMENTARY INFORMATION
Dell Rapids School District 49-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance Favorable
	Original	Final	(Budgetary Basis)	(Unfavorable)
Cocurricular Activities:				
Male Activities	$ 72,522.00	$ 73,634.60	$ 73,810.58	$ (175.98)
Female Activities	54,523.00	54,923.00	54,376.08	546.92
Transportation	51,380.00	75,140.00	72,655.26	2,484.74
Combined Activities	113,461.00	114,107.00	105,866.76	8,240.24
Contingencies	50,000.00	21,000.00		21,000.00
Total Expenditures	5,321,890.00	5,444,645.28	5,118,442.67	326,202.61
Excess of Revenue Over (Under) Expenditures	(199,290.00)	(289,290.00)	46,790.20	336,080.20
Fund Balance - Beginning	1,107,533.13	1,107,533.13	1,107,533.13	-
FUND BALANCE - ENDING	$ 908,243.13	$ 818,243.13	$ 1,154,323.33	$ 336,080.20

The notes to the required supplementary schedules are an integral part of this schedule.

REQUIRED SUPPLEMENTARY INFORMATION
Dell Rapids School District 49-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
Capital Outlay Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	$ 1,419,296.00	$ 1,419,296.00	$ 1,426,905.73	$ 7,609.73
Prior Years' Ad Valorem Taxes			9,017.15	9,017.15
Penalties and Interest on Taxes	1,500.00	1,500.00	1,882.14	382.14
Earning Investments and Deposits	1,500.00	1,500.00	1,528.31	28.31
Other Revenue from Local Sources:				
Contributions and Donations	20,100.00	53,837.26	51,578.34	(2,258.92)
Revenue from Federal Sources:				
Restricted Grants-in-Aid Received from Federal Government Through the State			20,104.81	20,104.81
Other Federal Revenue	232,720.00	232,720.00	211,701.14	(21,018.86)
Total Revenue	$ 1,675,116.00	$ 1,708,853.26	$ 1,722,717.62	$ 13,864.36
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	$ 80,850.00	$ 82,792.11	$ 64,724.13	$ 18,067.98
Middle/Junior High	83,750.00	83,750.00	97,804.20	(14,054.20)
High School	82,650.00	84,150.00	68,239.37	15,910.63
Special Programs:				
Programs for Special Education	4,500.00	4,500.00	1,866.53	2,633.47
Support Services - Instructional Staff:				
Educational Media	89,654.00	89,654.00	76,224.44	13,429.56
Support Services - General Administration:				
Executive Administration	375.00	375.00	3,593.41	(3,218.41)
Support Services - School Administration:				
Office of the Principal	1,125.00	1,125.00	-	1,125.00
Other	375.00	375.00	-	375.00
Support Services - Business:				
Fiscal Services	5,875.00	5,875.00	5,449.41	425.59
Facilities Acquisition and Construction	57,606.00	73,606.00	115,484.12	(41,878.12)
Operation and Maintenance of Plant	185,000.00	185,000.00	24,915.68	160,084.32
Pupil Transportation	80,000.00	80,000.00	14,543.83	65,456.17
Internal Services	10,278.00	10,278.00	9,900.00	378.00

REQUIRED SUPPLEMENTARY INFORMATION
Dell Rapids School District 49-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
Capital Outlay Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance Favorable
	Original	Final	(Budgetary Basis)	(Unfavorable)
Community Services				
Nonpublic School	10,000.00	10,000.00	-	10,000.00
Debt Services	452,704.00	452,704.00	504,778.99	(52,074.99)
Cocurricular Activities:				
Transportation		2,749.00	2,749.00	-
Combined Activities	67,925.00	97,571.15	99,900.80	(2,329.65)
Total Expenditures	1,212,667.00	1,264,504.26	1,090,173.91	174,330.35
Excess of Revenue Over (Under) Expenditures	462,449.00	444,349.00	632,543.71	188,194.71
Other Financing Sources:				
Transfers Out	(294,446.00)	(294,446.00)	(294,446.00)	-
Sale of Surplus Property	24,000.00	26,100.00	44,586.75	18,486.75
Total Other Financial Sources (Uses)	(270,446.00)	(268,346.00)	(249,859.25)	18,486.75
Net Change in Fund Balance	192,003.00	176,003.00	382,684.46	206,681.46
Fund Balance - Beginning	1,510,461.86	1,510,461.86	1,510,461.86	-
FUND BALANCE - ENDING	$ 1,702,464.86	$ 1,686,464.86	$ 1,893,146.32	$ 206,681.46

The notes to the required supplementary schedules are an integral part of this schedule.

REQUIRED SUPPLEMENTARY INFORMATION
Dell Rapids School District 49-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
Special Education Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	$ 716,571.00	$ 716,571.00	$ 720,785.10	$ 4,214.10
Prior Years' Ad Valorem Taxes			4,526.19	4,526.19
Penalties and Interest on Taxes	750.00	750.00	946.18	196.18
Earning Investments and Deposits	10.00	10.00	10.43	0.43
Other Revenue from Local Sources:				
Services Provided Other LEAs			4,340.00	4,340.00
Charges for Services	29,000.00	29,000.00	16,233.61	(12,766.39)
Revenue from State Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid	446,042.00	446,042.00	322,039.00	(124,003.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	212,873.00	212,873.00	219,630.00	6,757.00
Total Revenue	$ 1,405,246.00	$ 1,405,246.00	$ 1,288,510.51	$ (116,735.49)
Expenditures:				
Special Programs:				
Programs for Special Education	$ 986,070.00	$ 986,070.00	$ 839,496.75	$ 146,573.25
Support Services:				
Pupils:				
Health	3,000.00	3,000.00	26,412.67	(23,412.67)
Psychological	48,159.00	48,159.00	48,245.88	(86.88)
Speech Pathology	150,871.00	150,871.00	150,212.92	658.08
Student Therapy Services	98,500.00	98,500.00	63,482.53	35,017.47
Support Services - Instructional Staff:				
Improvement of Instruction	1,500.00	1,500.00	800.00	700.00
Support Services - Special Education:				
Administrative Costs	16,891.00	16,891.00	14,838.27	2,052.73
Transportation Costs	100,255.00	100,255.00	97,471.76	2,783.24
Other Special Education Costs			47,549.96	(47,549.96)
Total Expenditures	1,405,246.00	1,405,246.00	1,288,510.74	116,735.26
Excess of Revenue Over (Under) Expenditures	-	-	(0.23)	(0.23)
Fund Balance - Beginning	48,453.89	48,453.89	48,453.89	-
FUND BALANCE - ENDING	$ 48,453.89	$ 48,453.89	$ 48,453.66	$ (0.23)

The notes to the required supplementary schedules are an integral part of this schedule.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
and each major Special Revenue Fund with a legally required budget.

1. Budgets and Budgetary Accounting:

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

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

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

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

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

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

6. After adoption by the school board, the operating budget is legally binding 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 school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.

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

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

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

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

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.

REQUIRED SUPPLEMENTARY INFORMATION
Dell Rapids School District 49-3
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

(Dollar amounts in thousands)

	2015
District's proportion of the net pension liability (asset)	0.2277243%
District's proportionate share of net pension liability (asset)	$ (1,641)
District's covered-employee payroll	$ 3,982
District's proportionate share of the net pension asset as a percentage of its covered-employee payroll	41.21%
Plan fiduciary net pension as a percentage of the total pension liability (asset)	107%

The amounts presented were determined as of 6/30/14.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures Amount FY 2015
US Department of Agriculture:			
Pass-Through the SD Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	N/A	$ 37,661.47
Cash Assistance:			
School Breakfast Program (Note 2)	10.553	N/A	14,856.84
National School Lunch Program (Note 2)	10.555	N/A	110,265.88
Child and Adult Care Food Program	10.558	N/A	4,622.53
Total US Department of Agriculture			167,406.72
US Department of the Interior:			
Pass-Through Minnehaha County:			
Payments in Lieu of Taxes (Note 2) - Federal Wetlands	15.226	N/A	268.27
Total US Department of the Interior			268.27
US Department of Education:			
Pass-Through the SD Department of Education:			
Special Education Cluster:			
Special Education - Grants to States (Notes 2 &3)	84.027	N/A	209,208.00
Special Education - Preschool Grants (Note 3)	84.173	N/A	10,306.00
Title I Grants to Local Educational Agencies (Note 3)	84.010	N/A	83,922.00
Career and Technical Education - Basic Grants to States	84.048	N/A	8,767.00
Special Education - Grants for Infants and Families	84.181	N/A	116.00
Improving Teacher Quality State Grants	84.367	N/A	39,518.00
Total US Department of Education			351,837.00
US Department of Homeland Security:			
Pass-Through the SD Department of Public Safety - Office of Homeland Security:			
Homeland Security Grant	97.067	N/A	20,104.81
Grand Total			$ 539,616.80

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

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

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

Dell Rapids School District

Member of North Central Association

"Home of the Quarriers"

Board of Education

Tom Morris, Pres.
Steve Stofferahn, V,Pres,
Troy Randall
Matthew Weiland
Jody Schumaker

Administration

Summer Schultz, Supt.
Kimberly Kludt, 9-12 Prin.
Fran Ruesink, 5-8 Prin.
Jay Nelson, K-4 Prin.
Jeff Krumm, Tech.Dir.
Jeff Dvorak, Activities Dir.
Barb Littel, Bus. Mgr.
Jennifer Ruesink, 7-12 Counselor
Jodi Robertson, K-6 Counselor

March 15, 2016

To Whom It May Concern:

This letter is in response to the following audit finding:

> Internal controls should be in place that provide reasonable assurance that management directives are carried out in regards to the recording and processing of financial data.

This reportable condition exists due to a lack of segregation of duties in the Dell Rapids School District. It is a result of the size of the school district which precludes staffing at a level sufficient to provide an ideal environment for internal controls.

Compensating controls and separation of related functions by employees is implemented to the extent possible with limited staff. It is not cost beneficial to take corrective action that would remove this comment as an audit finding.

Barbara Littel
Business Manager