

**DEUEL SCHOOL DISTRICT NO. 19-4
INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2015**

DEUEL SCHOOL DISTRICT NO. 19-4
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2015

Board Members:

Debbe Koenecke	Chairman
Myrna Becht	Vice Chairman
Luke Andersen	Member
Byron Olson	Member
Tony Quail	Member

Superintendent:

Dean Christensen

Business Manager:

Blaine Franken

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GRANT AND WILLIAMS, INC.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education and the Superintendent of
Deuel School District No. 19-4
Clear Lake, South Dakota

We have audited, in accordance with the 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 Deuel School District No. 19-4 (School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 26, 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.

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

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

Compliance and Other Matters

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

on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule current audit findings and as item 2015-001.

School District's Response to Findings

The School District's response to the finding identified in our audit is described in the accompanying schedule current audit findings. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Grant and Williams Inc.

Grant and Williams, Inc.
Sioux Falls, SD
January 26, 2016

DEUEL SCHOOL DISTRICT NO. 19-4
SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Audit Findings:

Prior Finding Number: 2014-001

The minutes to the Board of Education were not published in accordance with SDCL 13-8-35 and the changes to the 2013-2014 budget were not published in accordance with SDCL 13-11-2. This noncompliance is no longer applicable and did not occur again.

DEUEL SCHOOL DISTRICT NO. 19-4
SCHEDULE OF CURRENT AUDIT FINDINGS

Current Audit Findings:

Compliance and Other Matters

Finding Number 2015-001

Expenditures exceeded the amount budgeted in the Special Education Fund. This is the first time this noncompliance has occurred.

Criteria:

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

Effect:

The amended budget was not sufficient for the special education expenditures which were made without proper authority.

Recommendation:

We recommend that budget amendments to be made in accordance with SDCL 13-11-2 to allow for expenditures.

Management’s Response:

The Deuel School District Business Manager, Blaine Franken, is the contact person responsible for the corrective action plan for this comment. The District will be more careful in budgeting for the Special Education expenditures in the future.

Closing Conference:

The contents of this report were discussed with Dean Christensen, Superintendent; and Blaine Franken, Business Manager on January 26, 2016.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Deuel
School District No. 19-4 Clear
Lake, 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 Deuel School District No. 19-4, Clear Lake, South Dakota (School District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 Deuel School District No. 19-4, 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 18 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 18 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), Budgetary Comparison Schedules, Schedule of the District's Proportionate Share of the Net Pension Asset, Schedule of District Contributions, and Schedule of Funding Progress on pages 7 through 14, and 53 through 63 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 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 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.

Grant and Williams Inc.

Grant and Williams, Inc.
Sioux Falls, South Dakota
January 26, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Deuel School District No. 19-4's annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year ended on June 30, 2015. Please read it in conjunction with the School District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- During the year, the School District's revenues generated from taxes and other revenues of the governmental and business-type programs were \$812,335.83 more than the \$4,602,223.61 governmental and business-type program expenditures.
- The total cost of the School District's programs increased by 0.569% which primarily due to increases in instruction in the current year.
- The General Fund reported a \$172,815.96 current year surplus primarily due to the increases in Ad Valorem & Gross Receipts tax receipts over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School District government, reporting the School 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 operate like businesses. The proprietary funds operated by the School District include the Food Service Fund and Other Enterprise Fund.
 - Fiduciary fund statements provide information about the financial relationships – like scholarship plans for graduating students – in which the School 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 School District's financial statements, including the portion of the School District 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 Deuel School District's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School District government (except fiduciary funds and the fiduciary component units)	The activities of the School District that is not proprietary or fiduciary, such as elementary and high school education programs.	Activities the School District operates similar to private businesses, the food service operation.	Instances in which the School 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	*Balance Sheet *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows	*Statement of Fiduciary Net Position *Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the School 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 School 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 School District’s net position and how they have changed. Net position – the difference between the School District’s assets and liabilities – are one way to measure the School District’s financial health or position.

- Increases or decreases in the School District’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School District you need to consider additional nonfinancial factors such as changes in the School 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 School District are reported in two categories:

- **Governmental Activities** – This category includes the School 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, debate, music,

etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.

- Business-type Activities – The School District charges a fee to students to help cover the costs of providing hot lunch services to all students. The Food Service Fund and Other Enterprise Fund are the only business-type activity of the School District.

Fund Financial Statements

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

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

The School District has three kinds of funds:

- Governmental Funds – Most of the School District's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can be 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 School 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 District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service Enterprise Fund (one type of proprietary fund) and Other Enterprise Fund are the only proprietary funds maintained by the School District.
- Fiduciary Funds – The School District is the trustee, or fiduciary, for various external and internal parties. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the School District's government-wide financial statements because the School District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School District's combined net position increased (decreased) as follows:

Table A-1
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities		Business-Type Activities		Totals		Total Percentage Change
	2014	2015	2014	2015	2014	2015	2014-2015
Current and Other Assets	\$ 4,797,564	\$ 6,303,208	\$ 44,729	\$ 47,971	\$ 4,842,293	\$ 6,351,179	31.16%
Capital Assets	6,097,737	5,963,699	12,534	11,078	6,110,271	5,974,777	(2.22%)
Total Assets	10,895,301	12,266,907	57,263	59,049	10,952,564	12,325,956	12.54%
Deferred Outflow of Resources	-	792,082	-	-	-	792,082	100.00%
Long-Term Debt Outstanding	1,414,268	1,162,238	-	-	1,414,268	1,162,238	(17.82%)
Other Liabilities	529,645	583,646	16,830	8,168	546,475	591,814	8.30%
Total Liabilities	1,943,913	1,745,884	16,830	8,168	1,960,743	1,754,052	(10.54%)
Deferred Inflow of Resources	-	2,575,432	-	-	-	2,575,432	100.00%
Net Assets:							
Net Investment in							
Capital Assets	4,657,737	4,693,699	12,534	11,078	4,670,271	4,704,777	0.74%
Restricted	1,027,071	2,044,681	-	-	1,027,071	2,044,681	99.08%
Unrestricted	1,625,311	1,999,293	27,899	39,803	1,653,210	2,039,096	23.34%
Total Net Position	7,310,119	8,737,673	40,433	50,881	7,350,552	8,788,554	19.56%
Beginning Net Position (As Restated)	6,923,969	7,935,786	29,672	40,433	6,953,641	7,976,219	14.71%
Increase in Net Position	\$ 386,150	\$ 801,887	\$ 10,761	\$ 10,448	\$ 396,911	\$ 812,335	104.66%
Percentage of Increase In Net Position	5.58%	10.10%	36.27%	25.84%	5.71%	10.18%	

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities 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 District, consisting of a financing capital acquisition lease payable and capital outlay certificates payable, have been reported in this manner on the Statement of Net Position. The difference between the School District's assets and liabilities is its net position which increased 10.10% from the prior year.

Changes in Net Position

This section shows condensed financial comparison of revenues and expenses and provides an explanation for significant differences.

The School District's total revenues (excluding special items) totaled \$5,414,559 (See Table A-2). Approximately 64.510% of the School District's revenue comes from property and other taxes, with another 21.689% coming from state aid (See Figure A-3). The School District's total expenses for all programs and services increased by 8.877% from the prior year due largely to increases in the areas of taxes and other revenues (pension revenue – GASB 68). The School District's expenses totaled \$4,602,224 covering a range of services. Approximately 53.634% was spent on instruction, 35.127% on support services and 4.850% on food services (See Figure A-4).

Figure A-3

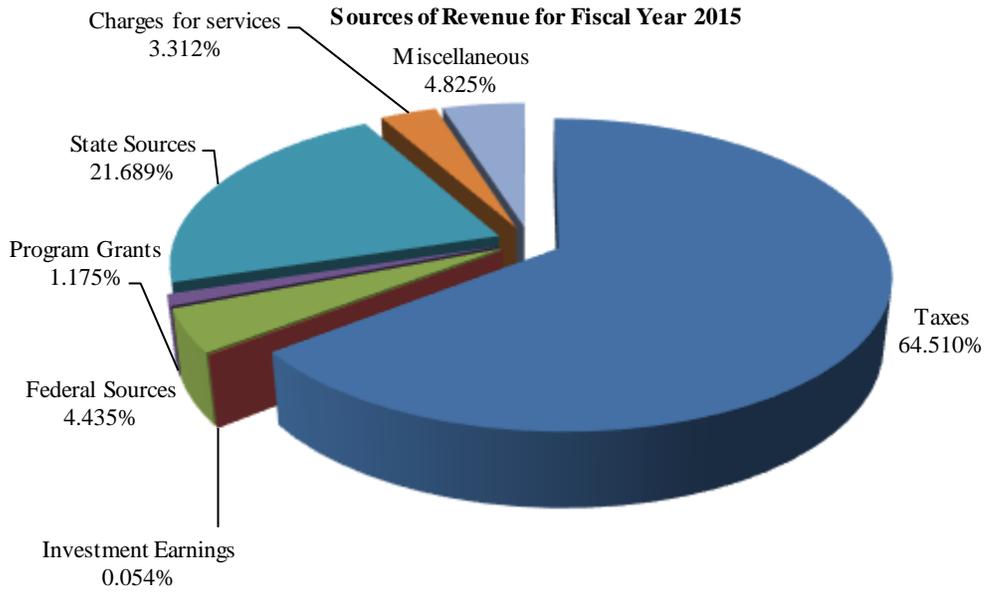
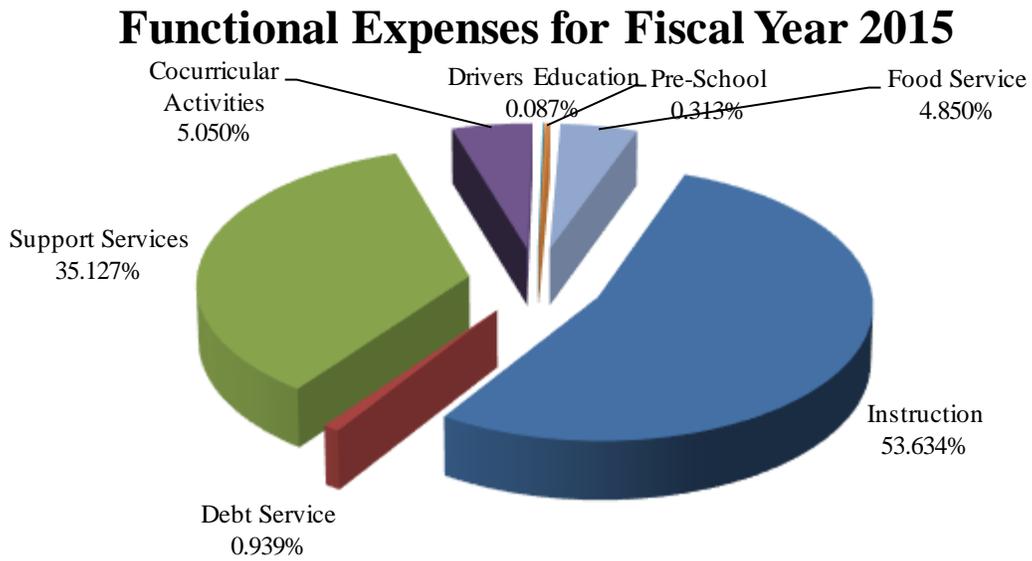


Figure A-4



GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

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

Table A-2
CHANGES IN NET POSITION
JUNE 30, 2015

	Total Governmental Activities		Total Business-Type Activities		Totals		Total Percentage Change
	2014	2015	2014	2015	2014	2015	2014-2015
Revenues							
Program Revenues:							
Charges for Services	\$ 35,845	\$ 33,186	\$ 142,503	\$ 146,164	\$ 178,348	\$ 179,350	0.562%
Grants and Contributions	149,497	197,802	111,445	105,925	260,942	303,727	16.396%
General Revenues							
Taxes	3,227,294	3,492,926	-	-	3,227,294	3,492,926	8.231%
Revenue State Sources Unrestricted	1,132,552	1,174,356	-	-	1,132,552	1,174,356	3.691%
Investment Earnings	2,088	2,931	-	-	2,088	2,931	40.374%
Other Revenues	171,860	261,269	-	-	171,860	261,269	52.024%
Total Revenues	4,719,136	5,162,470	253,948	252,089	4,973,084	5,414,559	8.877%
Expenses							
Instruction	2,444,140	2,468,334	-	-	2,444,140	2,468,334	0.990%
Support Services	1,640,470	1,616,633	-	-	1,640,470	1,616,633	(1.453%)
Debt Service	45,986	43,226	-	-	45,986	43,226	(6.002%)
Cocurricular Activities	202,389	232,390	-	-	202,389	232,390	14.823%
Food Service	-	-	220,419	223,218	220,419	223,218	1.270%
Other Enterprise	-	-	22,768	18,423	22,768	18,423	(19.084%)
Total Expenses	4,332,985	4,360,583	243,187	241,641	4,576,172	4,602,224	0.569%
Increase in Net	386,151	801,887	10,761	10,448	396,912	812,335	104.664%
Beginning Net Position (As Restated)	6,923,969	7,453,905	29,672	40,433	6,953,641	7,494,338	7.776%
Ending Net Position	\$ 7,310,120	\$ 8,737,673	\$ 40,433	\$ 50,881	\$7,350,553	\$8,788,554	19.563%

GOVERNMENTAL ACTIVITIES

Revenues from the governmental activities including special items were \$5,162,470 while expenses were \$4,360,583, an increase in net position of \$801,887. With this increase in assets, our cash balance did increase. The main reasons are:

- Actual revenue received exceeded expectations.
- Actual expenditures were less than anticipated due largely to caution used when authorizing purchases and finding good pricing.
- The effect of implementing the GASB 68 accounting standard change which increase revenues and decreased expenditures in the current year.

BUSINESS-TYPE ACTIVITIES

Net Position of the School District's business-type activities increased by \$10,448 during the year, factors contributing to these results included:

- Revenues were higher than last year and expenditures were slightly higher than last year for the Food Service
- Revenues were lower than last year for the pre-school and driver education in the other enterprises activities.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The General Fund Balance increased by \$172,815.96, Capital Outlay Fund increased by \$337,135.30, Special Education Fund Balances decreased by \$849.20 and the Pension Fund Balances decreased by \$3,646.91 for the year. There was an increase in property taxes in each fund but there was also an increase in expenses for the Capital Outlay fund to complete the bus barn and purchase equipment. There was an increase in expenditures for the Special Education Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the School Board revised the School budget one time. The amendment was for supplemental appropriations approved for unanticipated, yet necessary expense to provide for items necessary for the education programs of this district.

CAPITAL ASSET ADMINISTRATION

By the end of 2015, the School District had invested \$5,974,777 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. This amount represents a net decrease (including additions and deductions) of \$135,494 or (2.22%), over the prior year. (See Table A-3.)

Table A-3
CAPITAL ASSETS
(net of depreciation)

	Total Governmental		Total Business-Type		Totals		Total Change	
	Activities		Activities					
	2014	2015	2014	2015	2014	2015	\$	%
Land	\$ 101,083	\$ 101,083	\$ -	\$ -	\$ 101,083	\$ 101,083	-	0.00%
Improvements	66,640	56,680	-	-	66,640	56,680	(9,960)	(14.95%)
Buildings	5,521,358	5,435,458	-	-	5,521,358	5,435,458	(85,900)	(1.56%)
Machinery and Equipment	408,656	370,478	12,534	11,078	421,190	381,556	(39,634)	(9.41%)
Total Capital Assets (Net)	<u>\$6,097,737</u>	<u>\$5,963,699</u>	<u>\$12,534</u>	<u>\$11,078</u>	<u>\$6,110,271</u>	<u>\$5,974,777</u>	<u>\$ (135,494)</u>	(2.22%)

This year's capital asset purchases included a Lincoln Welder with TIG attachments and library books.

LONG-TERM DEBT

At year-end the School District had \$1,195,000 in Capital Outlay Certificates and \$175,405 in other long-term obligations. This is a decrease of 15.33%. See Table A-4 below.

Table A-4
OUTSTANDING DEBT AND OBLIGATIONS

	Total Governmental		Total Business-		Totals		Total Change	
	Activities		Type Activities					
	2014	2015	2014	2015	2014	2015	\$	%
Capital Outlay Certificates	\$1,350,000	\$1,195,000	\$ -	\$ -	\$1,350,000	\$1,195,000	\$ (155,000)	(11.48%)
Gymnastics Building Lease	90,000	75,000	-	-	90,000	75,000	(15,000)	(16.67%)
Postemployment Benefits	97,748	49,438	-	-	97,748	49,438	(48,310)	(49.42%)
Video Lease	40,050	31,150	-	-	40,050	31,150	(8,900)	100.00%
Copier Lease	40,724	19,817	-	-	40,724	19,817	(20,907)	(51.34%)
Total Outstanding Debt and Obligations	<u>\$1,618,522</u>	<u>\$1,370,405</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,618,522</u>	<u>\$1,370,405</u>	<u>\$ (248,117)</u>	(15.33%)

The School District also maintains an early retirement plan, which allows those teachers meeting certain qualifications, to retire early and receive a lump sum payment or equal monthly payments

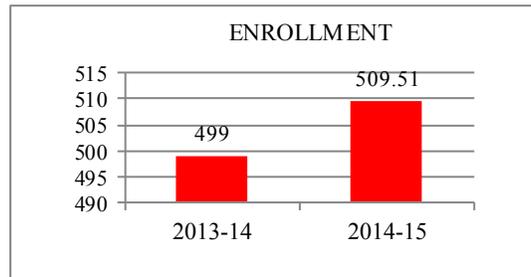
until age 62. This plan allows the School District to reduce the overall program cost by hiring lower paid teachers to replace the higher paid teachers.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The School District’s current economic position has shown little change. The School District did experience an increase in total property valuation, payable in 2015, of \$55,945,172 or 13.757% from the prior year. The increase in property valuation allows the School District the ability to increase the amount of revenue generated from property taxes, however, the total amount which can be levied is limited by the State of South Dakota.

One of the primary sources of revenue to the School District is based on a per student allocation received from the State of South Dakota. The state aid formula for the current year ensures that property taxes plus state aid will equal \$4,781.14 plus \$191.74 small school adjustment per pupil. The allocation for the next year has been increased by 3%; however the School District has experienced an increase of 4 students’ average daily membership (ADM) this year. This increase in ADM will result in the School District receiving slightly more revenue from the State of South Dakota than in the past year.

The School District's enrollment for the last two years has been as follows:



With the possibility of student enrollment declining or remaining the same and the current state funding based on per pupil allocation, the future financial condition of Deuel School District may continue to decline. The District keeps current with existing technology within available resources and mandates. Management of the District will continue to be challenged with balancing staffing needs, declining enrollment, and providing the resources to meet the needs of our students.

CONTACTING THE SCHOOL’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District’s finances and to demonstrate the School District’s accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Manager, Blaine Franken, Deuel School District 19-4, P.O. Box 770, Clear Lake, SD 57226.

BASIC FINANCIAL STATEMENTS
DEUEL SCHOOL DISTRICT NO. 19-4

DEUEL SCHOOL DISTRICT NO. 19-4
STATEMENT OF NET POSITION
JUNE 30, 2015

Exhibit I

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 3,537,225.44	\$ 35,474.41	\$ 3,572,699.85
Taxes Receivable	1,612,745.64	-	1,612,745.64
Accounts Receivable	-	6,927.64	6,927.64
Inventories	-	5,569.06	5,569.06
Other Assets	255,837.78	-	255,837.78
Net Pension Assets	897,398.82	-	897,398.82
Capital Assets:			
Land, Improvements and Construction in Progress	101,083.00	-	101,083.00
Other Capital Assets, Net of Depreciation	5,862,615.76	11,077.92	5,873,693.68
TOTAL ASSETS	12,266,906.44	59,049.03	12,325,955.47
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows of Resources	792,082.41	-	792,082.41
TOTAL DEFERRED OUTFLOWS OF RESOURCES:	792,082.41	-	792,082.41
LIABILITIES :			
Accounts Payable	62,771.04	551.44	63,322.48
Other Current Liabilities	312,707.69	7,616.30	320,323.99
Noncurrent Liabilities:			
Due Within One Year	208,166.80	-	208,166.80
Due in More than One Year	1,035,000.00	-	1,035,000.00
Other Long Term Liabilities	127,237.78	-	127,237.78
TOTAL LIABILITIES	1,745,883.31	8,167.74	1,754,051.05
DEFERRED INFLOWS OF RESOURCES:			
Taxes Levied for Future Period	1,536,093.31	-	1,536,093.31
Pension Related Deferred Inflows	1,039,339.12	-	1,039,339.12
TOTAL DEFERRED INFLOWS OF RESOURCES:	2,575,432.43	-	2,575,432.43
NET POSITION:			
Net Investment in Capital Assets	4,693,698.76	11,077.92	4,704,776.68
Restricted for:			
Capital Outlay	1,349,321.61	-	1,349,321.61
Special Education	10,188.79	-	10,188.79
Pension	35,028.82	-	35,028.82
SDRS Pension	650,142.11	-	650,142.11
Unrestricted	1,999,293.02	39,803.37	2,039,096.39
TOTAL NET POSITION	\$ 8,737,673.11	\$ 50,881.29	\$ 8,788,554.40

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

**DEUEL SCHOOL DISTRICT NO. 19-4
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Instruction	\$ 2,468,334.21	\$ -	\$ 195,475.50	\$ -
Support Services	1,616,633.10	-	-	2,327.00
Interest on Long-term Debt *	43,226.20	-	-	-
Cocurricular Activities	232,389.54	33,185.95	-	-
Total Governmental Activities	4,360,583.05	33,185.95	195,475.50	2,327.00
Business-type Activities:				
Food Service	223,218.33	130,015.82	105,925.28	-
Drivers Education	4,014.61	5,180.00	-	-
Pre-School	14,407.62	10,968.13	-	-
Total Primary Government	\$ 4,602,223.61	\$ 179,349.90	\$ 301,400.78	\$ 2,327.00

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

General Revenues:

Taxes:

 Property Taxes

 Gross Receipts Taxes

Revenue from State Sources:

 State aid

 Other

Unrestricted Investment Earnings

Other General Revenues

Total General Revenues, Special Items,

Extraordinary Items and Transfers

Change in Net Position

Net Position - Beginning

Adjustments:

 Corrections to prior year entries

 Pension (GASB 68)

Adjusted Net Position-Beginning

NET POSITION - END OF YEAR

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

**Net (Expense) Revenue and
Changes in Net Position**

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (2,272,858.71)	\$ -	\$ (2,272,858.71)
(1,614,306.10)	-	(1,614,306.10)
(43,226.20)	-	(43,226.20)
(199,203.59)	-	(199,203.59)
(4,129,594.60)	-	(4,129,594.60)
-	12,722.77	12,722.77
-	1,165.39	1,165.39
-	(3,439.49)	(3,439.49)
(4,129,594.60)	10,448.67	(4,119,145.93)
3,257,997.76	-	3,257,997.76
234,928.19	-	234,928.19
1,165,356.60	-	1,165,356.60
9,000.00	-	9,000.00
2,930.57	-	2,930.57
261,268.64	-	261,268.64
4,931,481.76	-	4,931,481.76
801,887.16	10,448.67	812,335.83
7,310,119.79	40,432.62	7,350,552.41
143,784.97	-	143,784.97
481,881.19	-	481,881.19
7,935,785.95	40,432.62	7,976,218.57
<u>\$ 8,737,673.11</u>	<u>\$ 50,881.29</u>	<u>\$ 8,788,554.40</u>

**DEUEL SCHOOL DISTRICT NO. 19-4
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Cash and Cash Equivalents	\$ 1,961,494.44	\$ 1,389,128.08	\$ 153,679.37
Taxes Receivable--Current	678,839.69	477,945.09	320,493.36
Taxes Receivable--Delinquent	46,583.71	18,020.73	9,942.62
Accounts Receivable, Net	1,658.50	-	-
Due from Federal Government	252,647.04	-	1,532.24
Due From Special Education Fund	80,000.00	-	-
Total Assets	<u>3,021,223.38</u>	<u>1,885,093.90</u>	<u>485,647.59</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	9,148.98	6,860.40	46,761.66
Contracts Payable	218,142.18	-	17,719.50
Due to General Fund	-	-	80,000.00
Payroll Deductions and Withholdings and Employer Matching Payable	66,361.73	-	10,484.28
Total Liabilities	<u>293,652.89</u>	<u>6,860.40</u>	<u>154,965.44</u>
Deferred Inflows of Resources:			
Unavailable Revenue-Property Taxes	46,583.71	18,020.73	9,942.62
Taxes Levied for Future Period	678,839.69	477,945.09	320,493.36
Total Deferred Inflows of Resources	<u>725,423.40</u>	<u>495,965.82</u>	<u>330,435.98</u>
Fund Balances:			
Restricted:			
Special Revenue Funds	-	1,382,267.68	246.17
Assigned:			
Unemployment Insurance	17,707.00	-	-
Unassigned	1,984,440.09	-	-
Total Fund Balances	<u>2,002,147.09</u>	<u>1,382,267.68</u>	<u>246.17</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 3,021,223.38</u></u>	<u><u>\$ 1,885,093.90</u></u>	<u><u>\$ 485,647.59</u></u>

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

Exhibit III

<u>Pension Fund</u>	<u>Total Governmental Funds</u>
\$ 32,923.55	\$ 3,537,225.44
58,815.17	1,536,093.31
2,105.27	76,652.33
-	1,658.50
-	254,179.28
-	80,000.00
<u>93,843.99</u>	<u>5,485,808.86</u>
-	62,771.04
-	235,861.68
-	80,000.00
-	76,846.01
-	455,478.73
2,105.27	76,652.33
<u>58,815.17</u>	<u>1,536,093.31</u>
<u>60,920.44</u>	<u>1,612,745.64</u>
32,923.55	1,415,437.40
-	17,707.00
-	1,984,440.09
<u>32,923.55</u>	<u>3,417,584.49</u>
<u>\$ 93,843.99</u>	<u>\$ 5,485,808.86</u>

DEUEL SCHOOL DISTRICT NO. 19-4

DEUEL SCHOOL DISTRICT NO. 19-4
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION
June 30, 2015

Total Fund Balances - Governmental Funds (page 20)		\$ 3,417,584.49
Amounts reported for governmental activities in the statement of net position are different because:		
Net pension asset reported in governmental activities is not an available financial resources and therefore is not reported in the funds.		897,398.82
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$8,767,559.48 and the accumulated depreciation is \$2,803.860.72.		5,963,698.76
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.		792,082.41
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(1,370,404.58)
CO Certificates	1,195,000.00	
Early Retirement	49,437.78	
Other Long-term Debt	125,966.80	
Property taxes become due and payable on January 1, each year, but are not collected/available soon enough to pay current period expenditures; therefore they are reported as deferred revenue in the fund financial statements. However, because the delinquent taxes are due and payable by the taxpayer at June 30, the delinquent taxes are reported as revenue on the government-wide financial statements.		76,652.33
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.		(1,039,339.12)
Net Position - Governmental Funds (page 18)		\$ 8,737,673.11

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

DEUEL SCHOOL DISTRICT NO. 19-4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>
Revenues:			
Revenue from Local Sources:			
Taxes:			
Ad Valorem Taxes	\$ 1,417,168.98	\$ 1,007,545.04	\$ 660,273.35
Prior Years' Ad Valorem Taxes	13,421.85	6,592.74	3,840.57
Gross Receipts Taxes	234,928.19	-	-
Penalties and Interest on Taxes	4,561.73	2,834.12	1,728.15
Tuition and Fees:			
Earnings on Investments and Deposits	1,717.70	1,099.29	61.25
Cocurricular Activities:			
Admissions	29,925.95	-	-
Other Pupil Activity Income	3,260.00	-	-
Other Revenue from Local Sources:			
Rentals	824.00	-	-
Contributions and Donations	37,373.50	-	-
Refund of Prior Years' Expenditures	7,280.37	-	-
Medicaid Administration	10,418.38	-	-
Other	19,802.03	6,295.00	7,695.57
Revenue from Intermediate Sources:			
County Sources:			
County Apportionment	32,468.58	-	-
Revenue in Lieu of Taxes	1,437.55	1,675.54	1,067.50
Revenue from State Sources:			
Grants-in-Aid:			
Unrestricted Grants-in-Aid	1,165,356.60	-	-
Restricted Grants-in-Aid	9,000.00	-	22,652.00
Revenue from Federal Sources:			
Restricted Grants-in-Aid			
Received from Federal Government			
Through the State	135,450.00	2,327.00	-
Total Revenue	<u>3,124,395.41</u>	<u>1,028,368.73</u>	<u>697,318.39</u>

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

Exhibit IV

<u>Pension Fund</u>	<u>Total Governmental Funds</u>
\$ 123,985.03	\$ 3,208,972.40
785.69	24,640.85
-	234,928.19
342.51	9,466.51
52.33	2,930.57
-	29,925.95
-	3,260.00
-	824.00
-	37,373.50
-	7,280.37
-	10,418.38
-	33,792.60
-	32,468.58
206.35	4,386.94
-	1,165,356.60
-	31,652.00
-	137,777.00
125,371.91	4,975,454.44

DEUEL SCHOOL DISTRICT NO. 19-4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>
Expenditures:			
Instruction:			
Regular Programs:			
Elementary	679,479.66	71,863.73	-
Middle/Junior High	312,671.61	23,384.57	-
High School	572,496.14	41,110.07	-
Preschool Services	36,842.18	-	-
Special Programs:			
Programs for Special Education	-	-	527,162.23
Educationally Deprived	67,009.77	-	-
Support Services:			
Pupils:			
Guidance	80,538.19	-	596.76
Health	1,905.86	-	-
Psychological	-	-	9,566.16
Speech Pathology	-	-	18,385.44
Student Therapy Services	-	-	14,507.52
Support Services - Instructional Staff:			
Improvement of Instruction	27,246.79	1,112.64	-
Educational Media	93,139.57	11,420.95	-
Support Services - General Administration:			
Board of Education	28,884.30	5,554.00	746.47
Executive Administration	128,057.50	3,310.00	-
Support Services - School Administration:			
Office of the Principal	198,323.07	-	-
Other	213.88	-	-
Support Services - Business:			
Fiscal Services	123,723.20	6,374.40	-
Operation and Maintenance of Plant	248,512.28	189,282.57	-
Other Special Education Costs	157,723.15	60,494.78	127,203.01
Internal Services	12,179.43	-	-
Early Retirement Payments	-	-	-
Debt Services	-	243,033.80	-
Cocurricular Activities:			
Male Activities	57,910.54	4,497.16	-
Female Activities	40,631.66	12,505.19	-
Transportation	13,920.48	-	-
Combined Activities	70,170.19	7,814.68	-
Capital Outlay	-	12,974.89	-
Total Expenditures	<u>2,951,579.45</u>	<u>694,733.43</u>	<u>698,167.59</u>
Excess of Revenue Over (Under) Expenditures	172,815.96	333,635.30	(849.20)
Other Financing Sources:			
Sale of Surplus Property	-	3,500.00	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>3,500.00</u>	<u>-</u>
Net Change in Fund Balances	172,815.96	337,135.30	(849.20)
Fund Balance - Beginning	1,685,546.16	1,045,132.38	1,095.37
Corrections to prior year entries	143,784.97	-	-
Adjusted Fund Balance - Beginning	<u>1,829,331.13</u>	<u>1,045,132.38</u>	<u>1,095.37</u>
FUND BALANCE - ENDING	<u>\$ 2,002,147.09</u>	<u>\$ 1,382,267.68</u>	<u>\$ 246.17</u>

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

Exhibit IV

<u>Pension Fund</u>	<u>Total Governmental Funds</u>
31,600.00	782,943.39
13,600.00	349,656.18
24,200.00	637,806.21
-	36,842.18
-	527,162.23
-	67,009.77
3,809.00	84,943.95
-	1,905.86
-	9,566.16
-	18,385.44
-	14,507.52
-	28,359.43
-	104,560.52
-	35,184.77
7,500.00	138,867.50
-	198,323.07
-	213.88
-	130,097.60
-	437,794.85
-	345,420.94
-	12,179.43
48,309.82	48,309.82
-	243,033.80
-	62,407.70
-	53,136.85
-	13,920.48
-	77,984.87
-	12,974.89
129,018.82	4,473,499.29
(3,646.91)	501,955.15
-	3,500.00
-	3,500.00
(3,646.91)	505,455.15
36,570.46	2,768,344.37
-	143,784.97
36,570.46	2,912,129.34
\$ 32,923.55	\$ 3,417,584.49

DEUEL SCHOOL DISTRICT NO. 19-4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds (page 26)	\$	505,455.15
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 withd statements.		15,721.70
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.		(149,760.39)
Governmental funds recognized 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.		48,309.82
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.		199,807.60
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		168,597.77
In both the government-wide and fund financial statement, 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' statement differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availabilty criteria".		14,918.00
Some expenses reported in the statement of activities do not require the use of current financial resources and therefor are not reported as expenditures in governmental funds.		(336.85)
Internal service funds are used by management to charge the costs of certain activities, such as self-insurance to individual funds. The net revenue (expense) of the internal service funds is reported within the governmental activities.		(825.64)
Change in Net Position of Governmental Activities (page 18)	<u>\$</u>	<u>801,887.16</u>

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

DEUEL SCHOOL DISTRICT No. 19-4
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

Exhibit V

	Enterprise Funds		
	Food Service Fund	Other Fund	Totals
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 16,794.52	\$ 18,679.89	\$ 35,474.41
Accounts Receivable	6,927.64	-	6,927.64
Inventory of Supplies	320.78	-	320.78
Inventory of Stores Purchased for Resale	1,763.66	-	1,763.66
Inventory of Donated Food	3,484.62	-	3,484.62
Total Current Assets	29,291.22	18,679.89	47,971.11
Capital Assets:			
Machinery and Equipment--Local Funds	62,143.42	-	62,143.42
Machinery and Equipment--Federal Assistance	2,893.26	-	2,893.26
Less: Accumulated Depreciation (Credit)	(53,958.76)	-	(53,958.76)
Total Noncurrent Assets	11,077.92	-	11,077.92
TOTAL ASSETS	40,369.14	18,679.89	59,049.03
LIABILITIES:			
Current Liabilities:			
Contracts Payable	49.44	3,118.90	3,168.34
Accounts Payable	51.20	500.24	551.44
Payroll Deductions and Withholdings and Employer Matching Payable	3,453.79	994.17	4,447.96
Total Current Liabilities	3,554.43	4,613.31	8,167.74
NET POSITION:			
Net Investment in Capital Assets	11,077.92	-	11,077.92
Unrestricted Net Position	25,736.79	14,066.58	39,803.37
Total Net Position	\$ 36,814.71	\$ 14,066.58	\$ 50,881.29

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET
 POSITION - PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Funds		Total
	Food Service Fund	Other Ent. Fund	
Operating Revenue:			
Food Sales:			
Student	\$ 128,909.78	\$ -	\$ 128,909.78
Adult	1,031.65	-	1,031.65
Other Charges for Goods and Services	74.39	16,148.13	16,222.52
Total Operating Revenue	130,015.82	16,148.13	146,163.95
Operating Expenses:			
Salaries	62,576.02	11,781.00	74,357.02
Employee Benefits	31,988.63	4,952.34	36,940.97
Purchased Services	2,889.78	71.03	2,960.81
Supplies	7,246.95	1,617.86	8,864.81
Cost of Sales - Purchased	104,863.94	-	104,863.94
Cost of Sales - Donated	12,197.43	-	12,197.43
Depreciation	1,455.58	-	1,455.58
Total Operating Expenses	223,218.33	18,422.23	241,640.56
Operating Income (Loss)	(93,202.51)	(2,274.10)	(95,476.61)
Nonoperating Revenue:			
State Grants	3,575.06	-	3,575.06
Federal Grants	87,737.51	-	87,737.51
Donated Food	14,612.71	-	14,612.71
Total Nonoperating Revenue (Expense)	105,925.28	-	105,925.28
Change in Net Position	12,722.77	(2,274.10)	10,448.67
Net Position - Beginning	24,091.94	16,340.68	40,432.62
NET POSITION - ENDING	\$ 36,814.71	\$ 14,066.58	\$ 50,881.29

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

DEUEL SCHOOL DISTRICT NO. 19-4
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit VII

	Enterprise Funds		Total
	Food Service Fund	Other Enterprise Funds	
Cash Flows from Operating Activities:			
Cash Receipts from Customers	\$ 130,015.82	\$ 16,148.13	\$ 146,163.95
Cash Payments to Employees for Services	(94,361.42)	(21,303.03)	(115,664.45)
Cash Payments to Suppliers of Goods or Services	(104,959.04)	(1,414.53)	(106,373.57)
Other Operating Cash Payments	(10,136.73)	(71.03)	(10,207.76)
Net Cash Provided (Used) by Operating Activities	<u>(79,441.37)</u>	<u>(6,640.46)</u>	<u>(86,081.83)</u>
Cash Flows from Noncapital Financing Activities:			
Cash Reimbursements-State Sources	3,575.06	-	3,575.06
Cash Reimbursements-Federal Sources	87,737.51	-	87,737.51
Net Cash Flows from Noncapital Financing Activities	<u>91,312.57</u>	<u>-</u>	<u>91,312.57</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>11,871.20</u>	<u>(6,640.46)</u>	<u>5,230.74</u>
Cash and Cash Equivalents at Beginning of Year	4,923.32	25,320.35	30,243.67
Cash and Cash Equivalents at End of Year	<u>16,794.52</u>	<u>18,679.89</u>	<u>35,474.41</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 11,871.20</u>	<u>\$ (6,640.46)</u>	<u>\$ 5,230.74</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (93,202.51)	\$ (2,274.10)	(95,476.61)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	1,455.58	-	1,455.58
Value of Donated Commodities Used	12,197.43	-	12,197.43
Change in Assets and Liabilities:			
Receivables	4,525.76	-	4,525.76
Inventories	(121.40)	-	(121.40)
Accounts and Other Payables	26.30	203.33	229.63
Deferred Revenue	(4,525.76)	-	(4,525.76)
Accrued Wages Payable	203.23	(4,569.69)	(4,366.46)
Net Cash Provided (Used) by Operating Activities	<u>\$ (79,441.37)</u>	<u>\$ (6,640.46)</u>	<u>\$ (86,081.83)</u>
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	<u>\$ 14,612.71</u>		

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

DEUEL SCHOOL DISTRICT NO. 19-4
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

Exhibit VIII

	Private-Purpose Trust Funds	Agency Funds
ASSETS:		
Cash and Cash Equivalents	\$ -	\$ 1,415.10
Investments, at Fair Value	28,712.57	161,709.60
Other Assets	9,300.00	-
TOTAL ASSETS	38,012.57	163,124.70
LIABILITIES:		
Accounts Payable and Other Payables		
Amounts Held for Others	-	163,124.70
Due to Other Governments		
Total Liabilities	-	163,124.70
NET POSITION		
Held in Trust for Scholarships	38,012.57	-
TOTAL LIABILITIES AND NET POSITION	\$ 38,012.57	\$ 163,124.70

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

DEUEL SCHOOL DISTRICT NO. 19-4
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit IX

	Private-Purpose Trust Funds
ADDITIONS:	
Contributions and Donations	\$ 250.00
Other Additions	16.90
Total Additions	266.90
DEDUCTIONS:	
Trust Deductions for Scholarships	2,718.14
Total Deductions	2,718.14
Change in Net Position	(2,451.24)
Net Position - Beginning	40,463.81
NET POSITION - ENDING	\$ 38,012.57

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

DEUEL SCHOOL DISTRICT NO. 19-4
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of Deuel School District No. 19-4 (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.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District does not have any component units.

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

b. Basis of Presentation:

Government-wide Financial Statements:

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

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position 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 program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

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

proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

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

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

Governmental Funds:

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

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

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

Special Education Fund – A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the 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. The School has elected to report this fund as a major fund.

Proprietary Funds:

Enterprise Fund Types – 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 fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

Other Enterprise Fund – A fund used to record financial transactions related to pre-school and drivers education. This fund is financed by user charges and grants. The School has elected to report this fund as a major fund.

Fiduciary Funds:

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

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

The Washington Leadership Conference Fund, Norman Knutson Jr. Scholarship Fund, Deuel Youth Boys Basketball Scholarship Fund, William Konold Music Scholarship Fund, One Time Scholarship Fund, and Student Loan Scholarship Fund are all used for the purpose of providing scholarships to students.

Agency Fund Types – Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds to hold assets as an agent in a trustee capacity for various classes, clubs and so on.

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 does not exceed one bill-paying cycle, and for the Deuel School District No 19-4, the length of the cycle is 60 days. The revenues which are accrued at June 30, 2015 are revenues from federal sources, other school districts, and other local sources.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred 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 fund 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. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

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

e. Capital Assets:

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

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

Government-Wide Statements

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

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP, while capital asset 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 20.81 percent for which the costs were determined by estimates of the original costs. The total June 30, 2015 balance of capital assets for business-type activities includes 100 percent for which the values were determined by estimates of the original cost. These estimated original costs were established by appraisals or deflated current replacement cost as determined for Deuel School District by the Valuation Advisory Group, Inc.

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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ All	----N/A-----	----N/A-----
Improvements	\$ 10,000.00	Straight-line	15-25 years
Buildings	\$ 50,000.00	Straight-line	50-100 years
Machinery and Equipment (Governmental Funds)	\$ 5,000.00	Straight-line	5-20 years
Machinery and Equipment (Enterprise Funds)	\$ 1,500.00	Straight-line	20 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

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 capital outlay certificates payable, early retirement benefits payable, and financing (capital acquisition) leases.

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

The Governing Board did not have any Nonspendable Fund Balance during the fiscal year.

The Governing Board did not commit to any fund balance types during the fiscal year but assigned \$17,707 for unemployment insurance to the General fund balance types during a prior year.

The School District uses *restricted/committed* amounts first when both restricted and unrestricted fund balance are 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 Government does not have a formal minimum fund balance policy.

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

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

m. Pensions:

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension 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 asset are recognized on an accrual basis of accounting.

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The School District is prohibited by statute from spending in excess of appropriated amounts at the fund level. The School District did have significant overdrafts of the expenditures compared to appropriations in the Special Education Fund in the amount of \$15,106.59. The Governing Board plans to take the action of amending the budget in the future to cover all of the expenditures in the Special Education Fund.

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

The School District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized 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. The Deuel School District did not have any investments at June 30, 2015.

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. The Deuel School District did not have any investments at June 30, 2015.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2015 none of the District's deposits in financial institutions were exposed to custodial credit risk.

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from deposits and investments to the General Fund, except for the private-purpose trust funds which retains its investment income. USGAAP, on the other hand, requires income from deposit and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

4. RECEIVABLES AND PAYABLES

The receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year.

5. INVENTORY

Inventory is maintained only in the proprietary fund, which is held for consumption and is stated at the lower of cost or market. The cost valuation method is first-in, first-out 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. There were no material inventories on hand at June 30, 2015 in the governmental funds.

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed.

6. PROPERTY TAXES

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore is not susceptible to accrual has been reported as deferred inflow of resources in both the fund financial statements and the government-wide financial statements. Additionally, in the fund

financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

7. CHANGES IN CAPITAL ASSETS

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

	Balance 6/30/2014	Increases	Decreases and Adjustments	Balance 6/30/2015
<i>Primary Government</i>				
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 101,083.00	\$ -	\$ -	\$ 101,083.00
Total Capital Assets, not being Depreciated	101,083.00	-	-	101,083.00
Capital Assets, being Depreciated:				
Buildings	7,162,810.53	-	-	7,162,810.53
Improvements Other than Buildings	287,500.00	-	-	287,500.00
Machinery and Equipment	1,200,444.25	15,721.70	-	1,216,165.95
Totals	8,650,754.78	15,721.70	-	8,666,476.48
Less Accumulated Depreciation for:				
Buildings	1,641,452.48	85,899.80	-	1,727,352.28
Improvements Other than Buildings	220,860.00	9,960.00	-	230,820.00
Machinery and Equipment	791,787.85	53,900.59	-	845,688.44
Totals	2,654,100.33	149,760.39	-	2,803,860.72
Total Capital Assets, being Depreciated, Net	5,996,654.45	(134,038.69)	-	5,862,615.76
Governmental Activity Capital Assets, Net	\$ 6,097,737.45	\$ (134,038.69)	\$ -	\$ 5,963,698.76

Depreciation expense was charged to functions as follows:

Instruction	\$ 67,746.45
Support Services	56,835.28
Co-Curricular Activities	25,178.66
Total Depreciation Expense - Governmental Activities	\$ 149,760.39

	Balance 6/30/2014	Increases	Decreases and Adjustments	Balance 6/30/2015
<i>Business-Type Activities:</i>				
Capital Assets, being Depreciated:				
Machinery and Equipment	\$ 65,036.68	\$ -	\$ -	\$ 65,036.68
Less Accumulated Depreciation for:				
Machinery and Equipment	52,503.18	1,455.58		53,958.76
Total Capital Assets, being Depreciated, Net	\$ 12,533.50	\$ (1,455.58)	\$ -	\$ 11,077.92

Depreciation expense was charged to functions as follows:

Food Service	\$ 1,455.58
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8. LONG-TERM LIABILITIES

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

Government Activities	Balance 7/1/14	Additions	Deletions	Balance 6/30/2015	Due Within One Year
Capital Outlay Certificates	\$ 1,350,000.00	\$ -	\$ 155,000.00	\$ 1,195,000.00	\$ 160,000.00
Gymnastics Building Lease (Capital acquisition)	90,000.00	-	15,000.00	75,000.00	15,000.00
Early Retirement	97,747.60	-	48,309.82	49,437.78	12,019.00
Video Lease	40,050.00	-	8,900.00	31,150.00	13,350.00
Copier Lease	40,724.40	-	20,907.60	19,816.80	19,816.80
	<u>\$ 1,618,522.00</u>	<u>\$ -</u>	<u>\$ 248,117.42</u>	<u>\$ 1,370,404.58</u>	<u>\$ 220,185.80</u>

Early Retirement Benefits payable for governmental activities typically have been liquidated from the Pension Fund.

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

Capital Outlay Certificates:

Series 2010 Limited Tax General Obligation Refunding Certificates, Interest Rate-Variable from .75% to 3.25%, Due Semi-annually on Jan. 1 and July 1 until July 1, 2022

Service by Capital Outlay Fund \$ 1,195,000.00

Capital Acquisition Lease:

2008 Gymnastics Lease, Interest Rate-0%, Due Annually October 1 until Sept. 30, 2019

Service by Capital Outlay \$ 75,000.00

Early Retirement

Monthly payments for early retirement benefits, which has been calculated by the annual full-time salary times .0075 times the number of months until the retiree reaches 62. There is no interest paid and the final payment will be made in FYE 2020.

Service by Pension Fund \$ 49,437.78

Copiers Lease

4 units for 60 months for \$1,724 per month starting July 11, 2011

\$ 19,816.80

Video Lease

2012 5 year lease of Video equipment Due Annually on August 15 until 08/15/2017.

Serviced by Capital Outlay \$ 31,150.00

The present-value of the financing (capital acquisition) lease is \$132,568.96.

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

Year Ending	Capital Outlay Certificates		Financing (Capital Acquisitions)	Early
	Principal	Interest	Principal	Retirement
2016	\$ 160,000.00	\$ 36,132.50	\$ 15,000.00	\$ 12,017.38
2017	160,000.00	33,342.50	15,000.00	12,017.38
2018	165,000.00	29,902.50	15,000.00	11,382.37
2019	170,000.00	29,902.50	15,000.00	8,207.22
2020	175,000.00	16,932.50	15,000.00	5,813.43
2021-2022	365,000.00	17,695.00	-	-
	<u>\$ 1,195,000.00</u>	<u>\$ 163,907.50</u>	<u>\$ 75,000.00</u>	<u>\$ 49,437.78</u>

9. OPERATING LEASES

As of June 30, 2015, School District was leasing four copiers under operating leases with an office equipment company. The lease started July 18, 2011, monthly payments made the 18th of each month with the final payment due June 18, 2016. Payments are made from the Capital Outlay Fund as required by SDCL 13-16-6. See above for the minimum payments required for the operating lease.

As of June 30, 2014, School District leased Video Equipment with Interstate Telecommunications Cooperative, Inc. (ITC). The purpose of the video equipment lease is enhancing the education and opportunities of its students in a “pilot” program for the broadcasting of the school’s activities and events. Payments are due on August 15th of each year at a rate of 0% with final payment was made August 15, 2016. Payments are made from the Capital Outlay Fund as required by SDCL 13-16-6.

Year Ending	Video Lease	Copier Lease
2016	13,350.00	19,816.80
2017	13,350.00	-
2018	4,450.00	-
	<u>\$ 31,150.00</u>	<u>\$ 19,816.80</u>

10. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

This requirement is effectively met by the statements in this report because the two enterprise funds maintained by the school district, the Food Service Fund and the Other Enterprise Fund, have been reported as major funds, and therefore, the required segment information has already been disclosed in the fund basic financial statements.

11. INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS

The interfund receivable is \$80,000 in the General Fund and the payable balance of \$80,000 is in the Special Education Fund at June 30, 2015.

12. RESTRICTED NET POSITION

Restricted net position for the year ended June 30, 2015 was as follows:

	<u>Restricted By</u>	
Major Funds:		
Capital Outlay	Law	\$ 1,349,321.61
Special Education	Law	10,188.79
Pension	Law	35,028.82
	Governmental Accounting	
SDRS Pension	Standards	650,142.11
Total Restricted Net Position		<u><u>\$ 2,044,681.33</u></u>

13. RETIREMENT 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 South Dakota Codified Law 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 writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2015, 2014, and 2013 were \$130,355.13, \$130,691.98 and \$130,982.56 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 107.0% 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	\$ 13,212,695.62
Less proportionate share of total pension	<u>\$ 12,315,296.81</u>
Proportionate share of net position asset	\$ 897,398.81

At June 30 2015, the School District reported an asset of \$897,398.82 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014 and the total pension asset used to calculate the net pension asset was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2014, the School District's proportion was 0.12455930%.

For the year ended June 30, 2015, the School District recognized pension revenue of \$37,905.79. At June 30, 2015 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience.	\$ 75,932.07	
Changes in assumption.	\$ 585,795.19	
Net Differences between projected and actual earnings on pension plan investments.		\$ 1,039,339.12
Changes in proportion and difference between District contributions and proportionate share of contributions.	\$ 0.02	
District contributions subsequent to the measurement date.	<u>\$ 130,355.13</u>	
Total	<u>\$ 792,082.41</u>	<u>\$ 1,039,339.12</u>

\$130,355.00 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	\$ (80,562.00)
2017	(80,562.00)
2018	(80,562.00)
2019	(168,404.00)
Total	<u>\$ (410,090.00)</u>

Actuarial Assumptions:

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

Inflation	3.25 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	100.0%	

Discount Rate:

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

Sensitivity of asset to changes in the discount rate:

The following presents the School District’s proportionate share of net pension asset calculated using the discount rate of 7.25 percent through 2016 and 7.50 percent thereafter, as well as what the School’s proportionate share of the net pension 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)	886,798.82	\$ (897,398.81)	(2,352,598.22)

Pension Plan Fiduciary Net Position:

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

14. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description – The School District operates a single-employer retiree benefit plan administered by Sanford Health. The health plan provides medical insurance benefits to eligible retirees as permitted by South Dakota Codified Law 6-1-16. Benefit provisions were established and may be amended during the negotiated agreement process between district certified staff and the governing board. The health plan does not issue separately stated stand-alone financial statements.

Funding Policy – The contribution requirements of plan members and the School District are established and may be amended during the negotiated agreement process between district certified staff and the governing board. A teacher, who retires from the School District on or after the age of 55 and with at least 3 years of consecutive service with the District, may be eligible for retiree health insurance coverage. Coverage ceases when the retiree attains the age

of 65. The School District currently finances the retiree single coverage benefit plan on a pay-as-you-go basis.

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

Annual Required Contribution (ARC)	\$ 22,738
Interest on net OPEB obligation	2,539
Adjustment to annual required Contribution	<u>(4,192)</u>
Annual OPEB Cost	21,085
Contributions made	<u>(6,052)</u>
Increase (Decrease) in net OPEB obligation	15,033
Net OPEB obligation - beginning of year	<u>84,640</u>
Net OPEB obligation - end of year	<u><u>\$ 99,673</u></u>

The School District’s annual OPEB cost data and net OPEB obligation was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/11	\$ 16,298	25.8%	\$ 53,670
6/30/12	16,298	25.8%	65,756
6/30/13	16,402	40.6%	75,497
6/30/14	16,561	44.8%	84,640
6/30/15	21,085	28.7%	99,673

Funded Status and Funding Progress – As of June 30, 2015, the most recent actuarial valuation date, the plan’s statistics were as follows:

Actuarial Accrued Liability	248,669
Actuarial Value of Benefit Assets	
Unfunded Actuarial Accrued Liability	248,669
Funded Ratio	0%
Covered Payroll	N/A
Unfunded Actuarial Accrued Liability as a Percentage of Covered payroll	N/A

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

multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the unit credit actuarial cost, actuarial valuation, method was used. The actuarial assumptions included a 3.00% rate of return and an annual healthcare cost trend rate of 5.9 percent initially, reduced by decrements to an ultimate rate of 5.1 percent after thirty years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2012 was thirty years.

15. JOINT VENTURES

The School District participates in the joint venture known as Northeast Educational Services Cooperative formed for the purpose of providing special education and other services to the member school districts.

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

Arlington School District No. 38-1	3.93%
Britton-Hecla School District No. 45-4	6.77%
Castlewood School District No. 28-1	3.66%
Clark School District No. 12-2	5.07%
DeSmet School District No. 38-2	4.39%
Deubrook Area School District No. 5-6	4.81%
Deuel School District No. 19-4	6.85%
Elkton School District No. 5-3	4.42%
Enemy Swim School District 18301	2.42%
Estelline School District No. 28-2	3.57%
Florence School District No. 14-1	2.88%
Grant-Deuel School District No. 25-3	1.47%
Hamlin School District No. 28-3	9.97%
Henry School District No. 14-2	2.40%
Iroquois School District No. 02-3	3.03%
Lake Preston School District No. 38-3	2.29%
Rosholt School District No. 54-4	2.93%
Sioux Valley School District No. 5-5	8.09%
Summit School District No. 54-6	2.28%
Waubay School District No. 18-3	2.33%
Waverly/South Shore School District No. 14-5	2.97%
Webster School District No. 18-4	7.42%
Willow Lake School District No. 12-2	3.15%
Wilmot School District No. 54-7	2.88%

The co-op'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 co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The school district retains no equity interest in the co-op (joint venture), but does have a responsibility to fund deficits of the co-op (joint venture) in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from the Northeast Educational Services Cooperative business office in Hayti, South Dakota.

At June 30, 2015, this joint venture had total assets of \$2,635,720.59, deferred outflows of resources of \$859,186.51, total liabilities of \$498,743.81, deferred inflows of resources of \$1,130,614.73 and total net position of \$1,865,548.56.

16. 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 participates in the Sanford Health Plan through the South Dakota School Insurance Pool. The Plan provides employee health care insurance coverage for participating members of the pool. The school district is responsible for payment of a premium to the insurance pool along with other pool participants. The pool then provides loss coverage to all participants through pool risk retention and through insurance coverage purchased by the pool in excess of the retained risk.

The insurance provides health care coverage with a deductible of \$1,000 per person or \$3,000 per family, then 80/20 to a maximum \$3,000 out-of-pocket for an individual and \$9,000 for a 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 not exceeded the liability coverage during the past three years.

Liability Insurance:

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

Worker's Compensation:

The school district participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provides workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The School District pays an annual premium to provide worker's compensation coverage for its employees under a retrospectively rated policy, and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by

the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual per incident.

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

Unemployment Benefits:

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

The school district has Assigned Fund Balance in the General Fund in the amount of \$17,707.00 for the payment of future unemployment benefits.

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

17. SIGNIFICANT CONTINGENCIES – LITIGATION

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

18. ACCOUNTING CHANGE / RESTATEMENT

The School District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension asset and changes in the net pension asset, deferred outflows of resources and deferred inflow of resources which arise from other types of events related pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflow of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension asset which is required to be reported by Governmental Accounting Standards Board Statement No. 71. Beginning net position for governmental activities were restated to retroactively report the beginning net pension asset outflows of resources related to contributions made after the measurement date as follows:

Net Position July 1, 2014, as previously reported	\$ 7,310,119.79
Restatement for pension accounting:	
Net Pension Asset	\$ 351,189.19
Pension related Deferred Outflows of Resources	\$ 130,691.98
Net Position July 1, 2014, as restated	<u>\$ 7,792,000.96</u>

DEUEL SCHOOL DISTRICT NO. 19-4
REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD & A

REQUIRED SUPPLEMENTARY INFORMATION
DEUEL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,398,500.00	\$ 1,398,500.00	\$ 1,417,168.98	\$ 18,668.98
Prior Years' Ad Valorem Taxes	12,000.00	12,000.00	13,421.85	1,421.85
Gross Receipts Taxes	180,000.00	180,000.00	234,928.19	54,928.19
Penalties and Interest on Taxes	7,000.00	7,000.00	4,561.73	(2,438.27)
Earnings on Investments and Deposits	2,000.00	2,000.00	1,717.70	(282.30)
Cocurricular Activities:				
Admissions	31,950.00	31,950.00	29,925.95	(2,024.05)
Other Pupil Activity Income	6,500.00	6,500.00	3,260.00	(3,240.00)
Other Revenue from Local Sources:				
Rentals	2,000.00	2,000.00	824.00	(1,176.00)
Contributions and Donations	25,000.00	25,000.00	37,373.50	12,373.50
Refund of Prior Years' Expenditures	-	-	7,280.37	7,280.37
Medicaid Administration	20,000.00	20,000.00	10,418.38	(9,581.62)
Other	35,000.00	35,000.00	19,802.03	(15,197.97)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	50,000.00	50,000.00	32,468.58	(17,531.42)
Revenue in Lieu of Taxes	1,500.00	1,500.00	1,437.55	(62.45)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	1,138,000.00	1,138,000.00	1,165,356.60	27,356.60
Restricted Grants-in-Aid	-	9,000.00	9,000.00	-
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants- in-Aid Received from Federal Government Through the S	103,196.00	103,196.00	135,450.00	32,254.00
Total Revenue	<u>3,012,646.00</u>	<u>3,021,646.00</u>	<u>3,124,395.41</u>	<u>102,749.41</u>

REQUIRED SUPPLEMENTARY INFORMATION
DEUEL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	732,453.00	732,453.00	679,479.66	52,973.34
Middle/Junior High	327,489.00	327,489.00	312,671.61	14,817.39
High School	620,118.00	620,118.00	572,496.14	47,621.86
Preschool Services	33,249.00	39,144.00	36,842.18	2,301.82
Special Programs:				
Educationally Deprived	74,103.00	74,103.00	67,009.77	7,093.23
Support Services:				
Pupils:				
Attendance and Social Work	6,000.00	6,000.00	-	6,000.00
Guidance	91,567.00	91,567.00	80,538.19	11,028.81
Health	4,350.00	4,350.00	1,905.86	2,444.14
Support Services - Instructional Staff:				
Improvement of Instruction	57,391.00	66,391.00	27,246.79	39,144.21
Educational Media	102,983.00	103,858.00	93,139.57	10,718.43
Support Services - General Administration:				
Board of Education	31,335.00	31,445.00	28,884.30	2,560.70
Executive Administration	132,530.00	135,680.00	128,057.50	7,622.50
Support Services - School Administration:				
Office of the Principal	200,112.00	199,887.00	198,323.07	1,563.93
Other	-	225.00	213.88	11.12
Support Services - Business:				
Fiscal Services	126,211.00	126,211.00	123,723.20	2,487.80
Operation and Maintenance of Plant	264,792.00	264,792.00	248,512.28	16,279.72
Pupil Transportation	133,383.00	158,383.00	157,723.15	659.85
Internal Services	17,900.00	17,900.00	12,179.43	5,720.57
Cocurricular Activities:				
Male Activities	77,391.00	77,391.00	57,910.54	19,480.46
Female Activities	56,633.00	56,633.00	40,631.66	16,001.34
Transportation	15,571.00	15,571.00	13,920.48	1,650.52
Combined Activities	99,615.00	99,615.00	70,170.19	29,444.81
Contingencies	25,000.00	25,000.00	-	-
Total Expenditures	<u>3,230,176.00</u>	<u>3,274,206.00</u>	<u>2,951,579.45</u>	<u>322,626.55</u>
Excess of Revenue Over (Under)				
Expenditures	<u>(217,530.00)</u>	<u>(252,560.00)</u>	<u>172,815.96</u>	<u>425,375.96</u>
Net Change in Fund Balances	<u>(217,530.00)</u>	<u>(252,560.00)</u>	<u>172,815.96</u>	<u>425,375.96</u>
Fund Balance - Beginning	<u>1,829,331.13</u>	<u>1,829,331.13</u>	<u>1,829,331.13</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 1,611,801.13</u>	<u>\$ 1,576,771.13</u>	<u>\$ 2,002,147.09</u>	<u>\$ 425,375.96</u>

REQUIRED SUPPLEMENTARY INFORMATION
DEUEL SCHOOL DISTRICT 19-4
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,000,300.00	\$ 1,000,300.00	\$ 1,007,545.04	\$ 7,245.04
Prior Years' Ad Valorem Taxes	3,000.00	3,000.00	6,592.74	3,592.74
Penalties and Interest on Taxes	2,000.00	2,000.00	2,834.12	834.12
Earnings on Investments and Deposits	2,000.00	2,000.00	1,099.29	(900.71)
Cocurricular Activities:				
Other	-	-	6,295.00	6,295.00
Revenue in Lieu of Taxes	-	-	1,675.54	1,675.54
Revenue from Federal Sources:				
Other Federal Revenue	-	-	2,327.00	2,327.00
Total Revenue	<u>1,007,300.00</u>	<u>1,007,300.00</u>	<u>1,028,368.73</u>	<u>21,068.73</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	81,364.00	81,364.00	71,863.73	9,500.27
Middle/Junior High	25,395.00	25,395.00	23,384.57	2,010.43
High School	42,728.00	42,728.00	41,110.07	1,617.93
Support Services - Instructional Staff:				
Improvement of Instruction	30,000.00	30,000.00	1,112.64	28,887.36
Educational Media	10,918.00	11,423.00	11,420.95	2.05
Support Services - General Administration:				
Board of Education	5,200.00	5,555.00	5,554.00	1.00
Executive Administration	3,900.00	3,900.00	3,310.00	590.00
Support Services - Business:				
Fiscal Services	7,500.00	7,500.00	6,374.40	1,125.60
Operation and Maintenance of Plant	256,400.00	256,400.00	189,282.57	67,117.43
Pupil Transportation	101,150.00	101,150.00	60,494.78	40,655.22
Debt Services	248,300.00	248,300.00	243,033.80	5,266.20
Cocurricular Activities:				
Male Activities	3,300.00	4,500.00	4,497.16	2.84
Female Activities	11,595.00	13,225.00	12,505.19	719.81
Combined Activities	1,300.00	7,800.00	7,814.68	(14.68)
Capital Outlay	13,400.00	13,400.00	12,974.89	425.11
Total Expenditures	<u>842,450.00</u>	<u>852,640.00</u>	<u>694,733.43</u>	<u>157,906.57</u>
Excess of Revenue Over (Under) Expenditures	<u>164,850.00</u>	<u>154,660.00</u>	<u>333,635.30</u>	<u>178,975.30</u>
Net Change in Fund Balances	164,850.00	154,660.00	337,135.30	182,475.30
Fund Balance - Beginning	<u>1,045,132.38</u>	<u>1,045,132.38</u>	<u>1,045,132.38</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 1,209,982.38</u>	<u>\$ 1,199,792.38</u>	<u>\$ 1,382,267.68</u>	<u>\$ 182,475.30</u>

REQUIRED SUPPLEMENTARY INFORMATION
DEUEL SCHOOL DISTRICT 19-4
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 620,150.00	\$ 620,150.00	\$ 660,273.35	\$ 40,123.35
Prior Years' Ad Valorem Taxes	2,800.00	2,800.00	3,840.57	1,040.57
Penalties and Interest on Taxes	1,500.00	1,500.00	1,728.15	228.15
Earnings on Investments and Deposits	100.00	100.00	61.25	(38.75)
Other Revenue from Local Sources:				
Other	19,000.00	19,000.00	7,695.57	(11,304.43)
Revenue in Lieu of Taxes	-	-	1,067.50	1,067.50
Revenue from State Sources:				
Restricted Grants-in-Aid	-	-	22,652.00	22,652.00
Total Revenue	<u>643,550.00</u>	<u>643,550.00</u>	<u>697,318.39</u>	<u>53,768.39</u>
Expenditures:				
Special Programs:				
Programs for Special Education	461,831.00	461,831.00	527,162.23	(65,331.23)
Support Services:				
Pupils:				
Guidance	820.00	820.00	596.76	223.24
Psychological	13,860.00	13,860.00	9,566.16	4,293.84
Speech Pathology	25,350.00	25,350.00	18,385.44	6,964.56
Student Therapy Services	19,840.00	19,840.00	14,507.52	5,332.48
Support Services - General Administration:				
Board of Education	1,255.00	1,255.00	746.47	508.53
Support Services - Central:				
Staff	1,600.00	1,600.00	-	1,600.00
Support Services - Special Education				
Administrative Costs	43,505.00	43,505.00	-	43,505.00
Other Special Education Costs	115,000.00	115,000.00	127,203.01	(12,203.01)
Total Expenditures	<u>683,061.00</u>	<u>683,061.00</u>	<u>698,167.59</u>	<u>(15,106.59)</u>
Excess of Revenue Over (Under)				
Expenditures	<u>(39,511.00)</u>	<u>(39,511.00)</u>	<u>(849.20)</u>	<u>38,661.80</u>
Fund Balance - Beginning	<u>1,095.37</u>	<u>1,095.37</u>	<u>1,095.37</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ (38,415.63)</u></u>	<u><u>\$ (38,415.63)</u></u>	<u><u>\$ 246.17</u></u>	<u><u>\$ 38,661.80</u></u>

REQUIRED SUPPLEMENTARY INFORMATION
DEUEL SCHOOL DISTRICT 19-4
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - PENSION FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 123,150.00	\$ 123,150.00	\$ 123,985.03	\$ 835.03
Prior Years' Ad Valorem Taxes	800.00	800.00	785.69	(14.31)
Penalties and Interest on Taxes	300.00	300.00	342.51	42.51
Earnings on Investments and Deposits	100.00	100.00	52.33	(47.67)
Revenue in Lieu of Taxes	-	-	206.35	206.35
Total Revenue	<u>124,350.00</u>	<u>124,350.00</u>	<u>125,371.91</u>	<u>1,021.91</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	32,000.00	32,000.00	31,600.00	400.00
Middle/Junior High	13,600.00	13,600.00	13,600.00	-
High School	24,200.00	24,200.00	24,200.00	-
Support Services:				
Pupils:				
Guidance	4,100.00	4,100.00	3,809.00	291.00
Support Services - General Administration:				
Executive Administration	7,500.00	7,500.00	7,500.00	-
Nonprogrammed Charges:				
Early Retirement Payments	48,311.00	48,311.00	48,309.82	1.18
Total Expenditures	<u>129,711.00</u>	<u>129,711.00</u>	<u>129,018.82</u>	<u>692.18</u>
Excess of Revenue Over (Under)				
Expenditures	(5,361.00)	(5,361.00)	(3,646.91)	1,714.09
Fund Balance - Beginning	<u>36,570.46</u>	<u>36,570.46</u>	<u>36,570.46</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 31,209.46</u>	<u>\$ 31,209.46</u>	<u>\$ 32,923.55</u>	<u>\$ 1,714.09</u>

DEUEL SCHOOL DISTRICT NO. 19-4
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

B. 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.

DEUEL SCHOOL DISTRICT NO. 19-4
REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD & A

REQUIRED SUPPLEMENTARY INFORMATION
DEUEL SCHOOL DISTRICT 19-4
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)	0.1245593%
District's proportionate share of net pension liability (asset)	\$ (897)
District covered-employee payroll	\$ 2,173
District's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	41.28%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.00%

The amounts presented were determined as of June 30, 2014.

REQUIRED SUPPLEMENTARY INFORMATION
DEUEL SCHOOL DISTRICT 19-4
SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS

South Dakota Retirement System

Last 10 Fiscal Years

(Dollar amounts in thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 130	\$ 131	\$ 131	\$ 130	\$ 132
Contributions in relation to the contractually required contribution	<u>130</u>	<u>131</u>	<u>131</u>	<u>130</u>	<u>132</u>
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered-employee payroll	\$ 2,173	\$ 2,179	\$ 2,183	\$ 2,170	\$ 2,198
Contributions as a percentage of covered-employee payroll	6.0%	6.0%	6.0%	6.0%	6.0%

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 130	\$ 125	\$ 123	\$ 119	\$ 117
<u>130</u>	<u>125</u>	<u>123</u>	<u>119</u>	<u>117</u>
<u>\$ -</u>				
\$ 2,159	\$ 2,078	\$ 2,046	\$ 1,982	\$ 1,944
6.0%	6.0%	6.0%	6.0%	6.0%

**REQUIRED SUPPLEMENTARY INFORMATION
DEUEL SCHOOL DISTRICT 19-4
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AL) - Unit Credit (b)	Unfunded Actuarial Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll [(b-a)/c]
2012	6/30/12	\$ -	\$ 141,093	\$ 141,093	0.0%	1,607,995	8.77%
2013	6/30/12	\$ -	\$ 141,093	\$ 141,093	0.0%	1,600,369	8.82%
2014	6/30/12	\$ -	\$ 141,093	\$ 141,093	0.0%	1,608,691	8.77%
2015	6/30/15	\$ -	\$ 248,669	\$ 248,669	0.0%	1,630,661	15.25%