

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

FINANCIAL REPORT

JUNE 30, 2015

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

SCHOOL DISTRICT OFFICIALS

June 30, 2015

BOARD MEMBERS

Charles Shupiek - Chairperson
Tina Neigel – Vice Chairperson
Kirby Peterson
Kyle Ward
Sammi Ducheneaux
Holly Annis
Wayne Ducheneaux
Jackson Neigel

SUPERINTENDENT

Carol Veit

BUSINESS MANAGER

Keith Watt

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

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

School Board
Eagle Butte School District No. 20-1
Dewey County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Eagle Butte School District No. 20-1, South Dakota (School District), as of June 30, 2015, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 15, 2016, which was qualified because the School District did not disclose or accrue the required information that GASB 45 requires for an OPEB plan.

Internal Control Over Financial Reporting

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

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

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

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* (continued)

A *significant deficiency* is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2015-002 to be a significant deficiency.

Compliance and Other Matters

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

School District's Response to Findings

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

We also noted certain additional matters that we reported to management of the School District in a separate communication dated March 15, 2016.

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.

Desmet and Beggs, K&B
March 15, 2016



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

School Board
Eagle Butte School District No. 20-1
Dewey County, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Eagle Butte School District No. 20-1, South Dakota (School District) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2015. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

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

Opinion on Each Major Federal Program

In our opinion, the Eagle Butte School District No. 20-1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2015-003 to be a significant deficiency.

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

Purpose of this Report

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

D. A. M. and B. J. G., J. D.

March 15, 2016

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS

Prior Financial Statement Findings:

2014-001

A material weakness was reported for a lack of segregation of duties for revenues, expenditures and payroll. This finding initially occurred in June 30, 1997 and continues to exist.

2014-002

A significant deficiency was reported in the controls to provide oversights of the financial reporting process.

Corrective Action Plan:

Management accepts the degree of risk associated with this condition because of the cost or other considerations. This significant deficiency continues to exist and is restated under the current audit findings as finding number 2015-002.

Prior Federal Award Findings:

A material weakness was reported for a lack of segregation of duties for revenues, expenditures and payroll functions as discussed above in findings 2014-001.

2014-003

A significant deficiency was reported for a lack of segregation of duties for the student count for Impact Aid and for the Average Daily Membership.

Corrective Action Plan:

The School board president is the contact person responsible for the corrective action plan for comments 2014-001 and 2014-003. These comments are the result of the size of the Eagle Butte School District which precludes staffing at a level sufficient to provide an ideal environment for internal controls. Eagle Butte School District has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenues, expenditures, payroll and student count for Impact Aid and for Average Daily Membership. Eagle Butte School District is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties continues to exist.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

SCHEDULE OF CURRENT AUDIT FINDINGS
AND QUESTIONED COSTS (continued)

Section II - Current Financial Statement Findings:

Internal Control over Revenues, Expenditures and Payroll

Finding Number 2015-001

A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties for the revenues, expenditures and payroll functions.

Analysis:

For the revenues, expenditures and payroll functions there is a lack of segregation of duties because one or two persons perform a major portion of the procedures with few checks and balances. This may affect the completeness and existence of transactions. Lack of segregation of duties could adversely affect the School District's ability to record, process, summarize and report financial data consistent with management assertions.

Recommendation:

1. We recommend the Eagle Butte School District No. 20-1 officials be cognizant of this lack of segregation of duties for revenues, expenditures, and payroll and attempt to provide compensating internal controls whenever possible and practical.

Corrective Action Plan

See Corrective Action Plan as discussed in Section III.

Finding Number 2015-002: Provide Oversight of the Financial Reporting Process

A significant deficiency in controls to provide oversight of the financial reporting process was disclosed by our audit. The School District's management is responsible for establishing and maintaining internal controls in the financial reporting system and for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with U.S. generally accepted accounting principles (GAAP). We noted the absence of appropriate internal controls in the following areas:

- The School District does not have a system of internal controls that would enable management to conclude that the financial statements and the related disclosures are presented in accordance with generally accepted accounting principles. As such, management requested us to assist in identifying adjustments to the accounting records and to prepare a draft of the financial statements, including the related footnote disclosures. The outsourcing of this service is not unusual in schools of your size and is a result of management's cost benefit decision to use our accounting expertise rather than to incur internal resource costs. Management reviewed the adjustments and also reviewed, approved, and accepted responsibility for those financial statements prior to their issuance. The adjustments were for recording a government due receivable and depreciation expense. Also it is management's responsibility to make the ultimate decision to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation:

1. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other consideration.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

SCHEDULE OF CURRENT AUDIT FINDINGS
AND QUESTIONED COSTS (continued)

Response:

Management accepts the degree of risk associated with this condition because of cost or other considerations.

Section III – Current Federal Award Findings and Questioned Costs:

Impact Aid - Maintenance and Operations CFDA 84.041, Title I CFDA 84.010A

Activities Allowed or Unallowed and Special Tests and Provisions:

A material weakness was disclosed by our audit of the internal control over major federal programs, as listed in Section I - Summary of Auditor's Results, Identification of Major Programs, for lack of segregation of duties for the revenues, expenditure and payroll functions as discussed in Section II in audit finding 2015-001. This finding initially occurred in June 30, 1997 and continues to exist.

Finding Number 2015-003

Impact Aid – Maintenance and Operations CFDA 84.041

Activities Allowed or Unallowed and Special Tests and Provisions:

A significant deficiency was disclosed by our audit of the internal control over major federal program for lack of segregation of duties for the student count for Impact Aid and for the Average Daily Membership. This finding initially occurred in June 30, 1997 and continues to exist.

Analysis:

For the student count for Impact Aid and for the Average Daily Membership, there is a lack of segregation of duties because one or two persons perform a major portion of the procedures with few checks and balances. The lack of segregation of duties may affect the completeness and accuracy of the student count.

Recommendation:

1. We recommend the Eagle Butte School District No. 20-1 officials be cognizant of this lack of segregation of duties for the student count for Impact Aid and for Average Daily Membership and attempt to provide compensating internal controls whenever and wherever possible and practical.

Corrective Action Plan

The School board president is the contact person responsible for the corrective action plan for these comments 2015-001 and 2015-003. These comments are the result of the size of Eagle Butte School District which precludes staffing at a level sufficient to provide an ideal environment for internal controls. Eagle Butte School District has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenues, expenditures, payroll and student count for Impact Aid and for Average Daily Membership. Eagle Butte School District is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties continues to exist.



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INDEPENDENT AUDITOR'S REPORT

School Board
Eagle Butte School District No. 20-1
Dewey County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Eagle Butte School District No. 20-1, South Dakota, (School District) as of June 30, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

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

Basis for Qualified Opinion on Governmental Activities

The School District has an other postemployment benefits plan (OPEB). GASB Statement 45, effective July 1, 2009, requires employers to accrue the value of retiree healthcare benefits earned during the employee's working life time. Changing the accounting expense recognition from a cash to and accrual basis required performing an actuarial valuation and developing the actuarial present value of future benefits, actuarial accrued liability, normal cost, annual required contribution or ARC, annual OPEB cost, and net OPEB obligation. The actuarial accrued liability should be disclosed in the School District's notes to the financial statements. The annual OPEB cost should be accrued on the School District's government-wide financial statements. Management believes it is not cost-beneficial to generate the above information. Therefore, the School District's financial statements do not have the necessary disclosures required by GASB Statement 45, and the annual OPEB cost has not been determined by the School District. In our opinion, the required disclosure and accruing the annual OPEB cost is required to conform with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the effects, if any, of the matters discussed in preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Eagle Butte School District No. 20-1, South Dakota as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of Eagle Butte School District No. 20-1, South Dakota as of June 30, 2015, and the respective changes in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of a New Accounting Standard. As described in Note 9 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 8 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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) on pages 13 through 20 and Budgetary Comparison Schedules, Schedule of the School District's Proportionate Share of the Net Pension Asset and Schedule of the School District's Contributions on pages 47 through 55 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 to the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

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

Desmet and Biggs, CPA

March 15, 2016

EAGLE BUTTE SCHOOL DISTRICT 20-1
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of the Eagle Butte School District 20-1 report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position from governmental activities increased approximately \$2,021,782.42 primarily due to an increase in federal revenues and the addition of Net Pension Asset.
- During the year, the District's revenues generated from taxes and other revenues of the governmental programs were \$2,021,782.42 more than the \$6,211,272.36 governmental program expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District's government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.

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

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

Figure A-1

Major features of Government-wide and Fund Financial Statements

	Government-wide Statements	Governmental Funds
Scope	Entire school government (except fiduciary funds)	The activities of the school that are not proprietary or fiduciary, such as elementary and high school education programs
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheets Statement of Revenues, Expenditures and Changes in Fund Balances
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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
Type of Inflow/Outflow Information	All revenue and expenses during the 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

Government-wide Statements

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

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

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

The Government-wide financial statements are reported in two categories:

Governmental activities-this includes the District's basic instructional services such as elementary and high school educational programs, support services, debt service payments, extra curricular activities and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.

Business-type activities-the District doesn't have any activities of this type.

Fund Financial Statements

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

- State law requires some of the funds
- The school board establishes other funds to control and manage money for particular purposes.

The District has one kind of fund:

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

EAGLE BUTTE SCHOOL DISTRICT 20-1
 MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The District's net position is as follows:

**Table A-1
 Eagle Butte School District 20-1
 STATEMENT OF NET POSITION**

	Governmental Activities		Total Activities	
	6/30/2014	6/30/2015	6/30/2014	6/30/2015
Current and Other Assets	\$ 5,890,203.48	\$ 7,870,887.61	\$ 5,890,203.48	\$ 7,870,887.61
Capital Assets (Net of Depreciation)	5,410,684.56	5,125,211.28	5,410,684.56	5,125,211.28
Net Pension Asset	-	1,446,385.06	-	1,446,385.06
TOTAL ASSETS	<u>11,300,888.04</u>	<u>14,442,483.95</u>	<u>11,300,888.04</u>	<u>14,442,483.95</u>
Pension Related Deferred Outflows	-	1,278,278.96	-	1,278,278.96
Long-Term Debt	63,884.89	55,385.93	63,884.89	55,385.93
Outstanding Other Liabilities	760,900.27	697,566.93	760,900.27	697,566.93
TOTAL LIABILITIES	<u>824,785.16</u>	<u>752,952.86</u>	<u>824,785.16</u>	<u>752,952.86</u>
Deferred Inflows of Resources				
Taxes Levied for Future Period	218,680.98	236,774.63	218,680.98	236,774.63
Pension Related	-	1,675,157.73	-	1,675,157.73
TOTAL INFLOWS	<u>218,680.98</u>	<u>1,911,932.36</u>	<u>218,680.98</u>	<u>1,911,932.36</u>
Net Position				
Invested in Capital Assets	5,410,684.56	5,125,211.28	5,410,684.56	5,125,211.28
Restricted	268,317.07	1,627,517.34	268,317.07	1,627,517.34
Unrestricted	4,578,420.27	6,303,149.07	4,578,420.27	6,303,149.07
TOTAL NET POSITION	<u>10,257,421.90</u>	<u>13,055,877.69</u>	<u>10,257,421.90</u>	<u>13,055,877.69</u>
Adjusted Beginning Net Position	10,070,633.21	11,034,095.27	10,070,633.21	11,034,095.27
Increase (Decrease) in Net Position	<u>\$ 186,788.69</u>	<u>\$ 2,021,782.42</u>	<u>\$ 186,788.69</u>	<u>\$ 2,021,782.42</u>
Percentage of Increase (Decrease) in Net Position	<u>1.85%</u>	<u>18.33%</u>	<u>1.85%</u>	<u>18.33%</u>

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, consisting of compensated absences payable have been reported in this manner on the Statement of Net Position. The difference between the District's assets and liabilities is its net position.

EAGLE BUTTE SCHOOL DISTRICT 20-1
 MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Position

The District's total revenues totaled \$8,233,054.78. Approximately 7.5% comes from taxes, 27.7% from program operating grants and contributions, 20.2% from state aid formula, 42.7% from federal sources, .5% from investment earnings and 1.4% from other general revenue (rentals, etc).

The District's total expenditures totaled \$6,211,272.36. The District's expenses cover a range of services; encompassing instruction, support services, non-programmed charges (UE payments), and co-curricular activities. Approximately 62.7% of the total expenses were spent on instructions, 34.5% on support services, 0.03% on non-programmed charges (UE payments), 1.2% on co-curricular services and 1.6% on community services.

GOVERNMENTAL ACTIVITIES

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

	Table A-2 Changes in Net Position Governmental Activities		Total Activities	
	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2015</u>
Revenues				
Program Revenues				
Operating Grants & Contributions	\$ 2,070,241.96	\$ 2,224,520.47	\$ 2,070,241.96	\$ 2,224,520.47
Charges for Services	-	56,295.63	-	56,295.63
General Revenues				
Taxes	555,687.53	621,361.13	555,687.53	621,361.13
Revenue State Sources	1,646,505.95	1,659,482.42	1,646,505.95	1,659,482.42
Revenue Federal Sources	2,322,476.21	3,517,800.84	2,322,476.21	3,517,800.84
Revenue Local Sources	94,339.53	116,107.96	94,339.53	116,107.96
Unrestricted Investment Earnings	45,571.61	37,486.33	45,571.61	37,486.33
Total Revenues	<u>6,734,822.79</u>	<u>8,233,054.78</u>	<u>6,734,822.79</u>	<u>8,233,054.78</u>
Expenses				
Instruction	4,084,071.15	3,892,284.45	4,084,071.15	3,892,284.45
Support Services	2,267,935.79	2,142,618.46	2,267,935.79	2,142,618.46
Non-programmed Charges	1,467.18	1,556.00	1,467.18	1,556.00
Community Services	115,493.06	101,395.56	115,493.06	101,395.56
Co-Curricular Activities	79,066.92	73,417.89	79,066.92	73,417.89
Total Expenses	<u>6,548,034.10</u>	<u>6,211,272.36</u>	<u>6,548,034.10</u>	<u>6,211,272.36</u>
Increase (Decrease) in Net Position	186,788.69	2,021,782.42	186,788.69	2,021,782.42
Adjusted Net Position Beginning	10,070,633.21	11,034,095.27	10,070,633.21	11,034,095.27
Net Position Ending	<u>\$ 10,257,421.90</u>	<u>\$ 13,055,877.69</u>	<u>\$ 10,257,421.90</u>	<u>\$ 13,055,877.69</u>

Governmental Activities

The District's total revenues equal \$8,233,054.78 (See Table A-2). Program revenues (grants) increased by \$210,601.14 (10.2%), revenues from state and federal sources increased by \$1,208,301.10 (30.44%), while general revenue from taxes and local sources increased \$87,442.03 (13.5%).

The District's expenditures totaled \$6,211,272.36 (See Table A-2) and covered a range of services, including instruction, support services and co-curricular activities.

Financial Analysis of the District's Funds

The General Fund had an increase in fund balance while the Capital Outlay Fund and Special Education Fund had a decrease in fund balance.

Budgetary Amendments

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

- Supplemental appropriations approved for unanticipated, yet necessary expenses to provide items necessary for the education program of this District.

Capital Asset Administration

By June 30th, 2015 the school had capital assets in the amount of \$11,371,301.70. This includes: land, buildings, and machinery and equipment. (See Table A-3). This amount represents a net increase of 78,741.69 or (.7%) from last year.

EAGLE BUTTE SCHOOL DISTRICT 20-1
 MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE A-3
EAGLE BUTTE DISTRICT 20-1----CAPITAL ASSETS
(net of depreciation)
Governmental Activities

Primary Government	Balance 7/1/2014	Increases	Decreases	Balance 6/30/2015
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 210,576.00	\$ -	\$ -	\$ 210,576.00
Construction in Progress	-	-	-	-
Totals Not Being Depreciated	<u>210,576.00</u>	<u>-</u>	<u>-</u>	<u>210,576.00</u>
Capital Assets, Being Depreciated:				
Buildings	9,092,883.47	-	-	9,092,883.47
Improvements other than Bldgs.	289,458.69	-	-	289,458.69
Machinery and Equipment	<u>1,699,641.85</u>	<u>101,181.14</u>	<u>(22,439.45)</u>	<u>1,778,383.54</u>
Totals Being Depreciated	<u>11,081,984.01</u>	<u>101,181.14</u>	<u>(22,439.45)</u>	<u>11,160,725.70</u>
Less Accumulated Depreciation For:				
Buildings	(4,455,424.71)	(198,667.58)	-	(4,654,092.29)
Improvements other than Bldgs.	(76,372.50)	(19,277.94)	-	(95,650.44)
Machinery and Equipment	<u>(1,350,078.24)</u>	<u>(168,708.90)</u>	<u>22,439.45</u>	<u>(1,496,347.69)</u>
Total Accumulated Depreciation	<u>(5,881,875.45)</u>	<u>(386,654.42)</u>	<u>22,439.45</u>	<u>(6,246,090.42)</u>
Total Capital Assets, Being Depreciated, Net	<u>5,200,108.56</u>	<u>(285,473.28)</u>	<u>-</u>	<u>4,914,635.28</u>
Governmental Activities, Capital Assets, Net	<u>\$ 5,410,684.56</u>	<u>\$ (285,473.28)</u>	<u>\$ -</u>	<u>\$ 5,125,211.28</u>

This year's capital asset purchases were primarily computers.

Long Term Debt

At year-end the District had \$55,385.93 in long-term obligations. This is a decrease of 13.3% as shown on Table A-4 below.

Table A-4
Eagle Butte School District 20-1 – Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total Percentage Change
	2013-2014	2014-2015		
Compensated Absences	<u>63,884.89</u>	<u>55,385.93</u>	<u>(8,498.96)</u>	<u>(13.3%)</u>
Total Outstanding Debt and Obligations	<u>63,884.89</u>	<u>55,385.93</u>	<u>(8,498.96)</u>	<u>(13.3%)</u>

The District is liable for the compensated absence pay to the administration and teaching staff.

Economic Factors

The District's current economic position has shown little change. However, the State of South Dakota sets a maximum tax rate which can be levied by the District. The primary source of revenue for the district is the per student allocation received from the State of South Dakota in State Aid and the Impact Aid we receive. However, student enrollment is declining and could result in a significant reduction of future state and federal revenues.

Contacting the School's Financial Management

The financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Eagle Butte School District 20-1 Business Office, P.O. Box 260, Eagle Butte, South Dakota, 57625.

EXHIBIT I - STATEMENT OF NET POSITION

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

EXHIBIT I - STATEMENT OF NET POSITION

June 30, 2015

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets:	
Cash and cash equivalents	\$ 1,410,610.90
Investments	5,499,083.94
Taxes receivable	247,789.16
Other assets	664,565.19
Inventories	48,838.42
Net pension asset	1,446,385.06
Capital assets:	
Land and construction in progress	210,576.00
Other capital assets, net of depreciation	<u>4,914,635.28</u>
Total Assets	<u>14,442,483.95</u>
Deferred Outflows of Resources:	
Pension related deferred outflows	<u>1,278,278.96</u>

Liabilities:	
Accounts payable	23,765.02
Other current liabilities	673,801.91
Noncurrent liabilities:	
Due within one year	8,307.89
Due in more than one year	<u>47,078.04</u>
Total Liabilities	<u>752,952.86</u>
Deferred Inflows of Resources:	
Taxes levied for future period	236,774.63
Pension related deferred inflows	<u>1,675,157.73</u>
Total Deferred Inflows of Resources	<u>1,911,932.36</u>
Net Position	
Invested in capital assets	5,125,211.28
Restricted for:	
Capital Outlay	239,624.86
Special Education	338,386.19
SDRS Pension	1,049,506.29
Unrestricted	<u>6,303,149.07</u>
Total Net Position	<u>\$ 13,055,877.69</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT II - STATEMENT OF ACTIVITIES

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

EXHIBIT II - STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary Government:					
Governmental activities:					
Instruction	\$3,892,284.45	\$ -	\$1,829,621.15	\$ -	\$ (2,062,663.30)
Support services	2,142,618.46	56,295.63	289,797.43	-	(1,796,525.40)
Community Services	101,395.56	-	103,880.00	-	2,484.44
Nonprogrammed charges	1,556.00	-	-	-	(1,556.00)
Cocurricular activities	<u>73,417.89</u>	<u>-</u>	<u>1,221.89</u>	<u>-</u>	<u>(72,196.00)</u>
Total governmental activities	<u>\$ 6,211,272.36</u>	<u>\$ 56,295.63</u>	<u>\$ 2,224,520.47</u>	<u>\$ -</u>	<u>(3,930,456.26)</u>

General Revenues:

Taxes:

Property taxes 519,171.54

Utility taxes 102,189.59

Revenue from State Sources:

State aid 1,659,482.42

Revenue from Federal sources 3,517,800.84

Unrestricted Investment Earnings 37,486.33

Other General Revenues 116,107.96

Total General Revenues	<u>5,952,238.68</u>
Change in Net Position	<u>2,021,782.42</u>
Net Position-Beginning	10,257,421.90
Prior Period Adjustment (See Note 8)	<u>776,673.37</u>
Adjusted Net Position-Beginning	<u>11,034,095.27</u>
Net Position - Ending	<u><u>\$ 13,055,877.69</u></u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT III - BALANCE SHEET - GOVERNMENTAL FUNDS

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

EXHIBIT III - BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$1,025,722.67	\$239,624.86	\$ 145,263.37	\$1,410,610.90
Investments	5,274,686.94	-	224,397.00	5,499,083.94
Taxes receivable--current	151,975.36	-	84,799.27	236,774.63
Taxes receivable--delinquent	7,620.05	-	3,394.48	11,014.53
Accounts receivable	701.89	-	68.95	770.84
Due from Federal government	618,794.35	-	45,000.00	663,794.35
Inventory of supplies	48,838.42	-	-	48,838.42
Total Assets	<u>\$7,128,339.68</u>	<u>\$239,624.86</u>	<u>\$ 502,923.07</u>	<u>\$7,870,887.61</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 16,916.23	\$ -	\$ 6,848.79	\$ 23,765.02
Contracts payable	458,039.93	-	49,687.95	507,727.88
Payroll deductions and withholdings and employer matching payable	148,793.91	-	17,280.12	166,074.03
Total Liabilities	<u>623,750.07</u>	<u>-</u>	<u>73,816.86</u>	<u>697,566.93</u>

Deferred Inflows of Resources				
Unavailable revenue - property taxes	7,620.05	-	3,394.48	11,014.53
Property taxes levied for future period	<u>151,975.36</u>	<u>-</u>	<u>84,799.27</u>	<u>236,774.63</u>
Total Deferred Inflows of Resources	<u>159,595.41</u>	<u>-</u>	<u>88,193.75</u>	<u>247,789.16</u>
Fund Balances:				
Nonspendable	48,838.42	-	-	48,838.42
Restricted				
Capital Outlay	-	239,624.86	-	239,624.86
Special Education	-	-	340,912.46	340,912.46
Unassigned	<u>6,296,155.78</u>	<u>-</u>	<u>-</u>	<u>6,296,155.78</u>
Total Fund Balances	<u>6,344,994.20</u>	<u>239,624.86</u>	<u>340,912.46</u>	<u>6,925,531.52</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u><u>\$7,128,339.68</u></u>	<u><u>\$239,624.86</u></u>	<u><u>\$ 502,923.07</u></u>	<u><u>\$7,870,887.61</u></u>

The accompanying notes are an integral part of these financial statements.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2015

Total Fund Balances - Governmental Funds	\$ 6,925,531.52
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	1,446,385.06
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of assets is \$11,371,301.70 and the accumulated depreciation is \$6,246,090.42.	5,125,211.28
Property taxes receivable will be collected this year but not available soon enough to pay the current periods expenditures, and therefore are deferred in the government fund.	11,014.53
Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.	1,278,278.96
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Accrued leave payable	(55,385.93)
Pension related deferred inflows are components of pension asset and therefore are not reported in the funds.	<u>(1,675,157.73)</u>
Net Position - Governmental Funds	<u>\$ 13,055,877.69</u>

The accompanying notes are integral part of these financial statements.

EXHIBIT IV - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

EXHIBIT IV - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Revenues:				
Revenue from local sources:				
Taxes:				
Ad valorem taxes	\$ 327,913.74	\$ -	\$ 168,865.56	\$ 496,779.30
Prior years' ad valorem taxes	13,495.28	-	3,513.04	17,008.32
Utility taxes	102,189.59	-	-	102,189.59
Penalties and interest on taxes	3,892.46	-	1,177.55	5,070.01
Earnings on investments and deposits	35,074.07	-	2,412.26	37,486.33
Other revenue from local sources:				
Rentals	73,229.04	-	-	73,229.04
Services provided other LEAs	11,295.63	-	45,000.00	56,295.63
Other local sources	33,147.09	-	193.00	33,340.09
Revenue from intermediate sources:				
County sources:				
County apportionment	9,538.83	-	-	9,538.83
Revenue from State sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	1,659,482.42	-	-	1,659,482.42
Restricted grants-in-aid	750.00	-	414,232.00	414,982.00
Revenue from Federal sources:				
Grants-in-aid:				

Unrestricted grants-in-aid:				
Received directly from Federal government	3,362,422.81	33,118.00	122,260.03	3,517,800.84
Restricted grants-in-aid:				
Received directly from Federal government	217,256.00	-	-	217,256.00
Received from Federal government through the state	1,282,066.73	-	216,429.00	1,498,495.73
Johnson O'Malley funds	<u>32,692.00</u>	<u>-</u>	<u>-</u>	<u>32,692.00</u>
Total Revenue	<u>7,164,445.69</u>	<u>33,118.00</u>	<u>974,082.44</u>	<u>8,171,646.13</u>
Expenditures:				
Instruction:				
Regular programs:				
Elementary	1,177,595.76	2,255.69	-	1,179,851.45
Middle/Junior High	322,882.31	-	-	322,882.31
High School	620,256.68	-	-	620,256.68
Other regular programs	175,370.11	-	-	175,370.11
Special programs:				
Programs for special education	-	-	584,323.70	584,323.70
Culturally different	216,923.47	-	-	216,923.47
Educationally deprived	623,988.08	-	-	623,988.08
Support services:				
Pupils:				
Attendance and social work	23,122.33	-	-	23,122.33
Guidance	136,261.21	-	-	136,261.21
Health	44,101.71	-	-	44,101.71
Psychological	-	-	103,527.51	103,527.51
Speech pathology	-	-	5,545.00	5,545.00
Audiology services	-	-	2,279.24	2,279.24

The accompanying notes are an integral part of these financial statements.

EXHIBIT IV - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

EXHIBIT IV - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)

For the Year Ended June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Expenditures (continued):				
Support services (continued):				
Support services - instructional staff:				
Improvement of instruction	\$ 224,119.26	\$ -	\$ 20,129.38	\$ 244,248.64
Educational media	78,439.00	11,776.00	-	90,215.00
Support services - general administration:				
Board of education	77,443.95	-	-	77,443.95
Executive administration	164,143.75	-	-	164,143.75
Support services - school administration:				
Office of the principal	207,400.36	-	-	207,400.36
Support services - business:				
Fiscal services	153,912.64	-	-	153,912.64
Operation and maintenance of plant	500,705.77	83,431.79	-	584,137.56
Pupil transportation	45,682.68	5,747.07	-	51,429.75
Food services	63,177.75	7,965.80	-	71,143.55
Support services - special education:				
Administrative costs	-	-	63,111.40	63,111.40
Transportation costs	-	-	4,143.92	4,143.92
Other special education costs	-	-	83,523.54	83,523.54

Community Services:				
Custody and care of children	101,395.56	-	-	101,395.56
Nonprogrammed charges:				
Payments to state unemployment	1,556.00	-	-	1,556.00
Cocurricular activities:				
Combined activities	73,795.80	-	-	73,795.80
Capital outlay	<u>82,316.25</u>	<u>18,864.89</u>	<u>-</u>	<u>101,181.14</u>
Total Expenditures	<u>5,114,590.43</u>	<u>130,041.24</u>	<u>866,583.69</u>	<u>6,111,215.36</u>
Excess of Revenue Over (Under) Expenditures	<u>2,049,855.26</u>	<u>(96,923.24)</u>	<u>107,498.75</u>	<u>2,060,430.77</u>
Other Financing Sources (Uses):				
Transfers in	2,412.26	300,000.00	-	302,412.26
Transfers out	<u>(300,000.00)</u>	<u>-</u>	<u>(2,412.26)</u>	<u>(302,412.26)</u>
Total Other Financing Sources (Uses)	<u>(297,587.74)</u>	<u>300,000.00</u>	<u>(2,412.26)</u>	<u>-</u>
Net Change in Fund Balances	1,752,267.52	203,076.76	105,086.49	2,060,430.77
Fund Balance - Beginning	4,627,547.54	36,548.10	235,825.97	4,899,921.61
Change in Inventory	<u>(34,820.86)</u>	<u>-</u>	<u>-</u>	<u>(34,820.86)</u>
Fund Balance - Ending	<u><u>\$6,344,994.20</u></u>	<u><u>\$239,624.86</u></u>	<u><u>\$340,912.46</u></u>	<u><u>\$6,925,531.52</u></u>

The accompanying notes are an integral part of these financial statements.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities

For the Year Ended June 30, 2015

Total Net Change in Fund Balances - Governmental Funds	\$2,060,430.77
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$386,654.42) exceed capital outlays (\$101,181.14) in the year.	(285,473.28)
Governmental funds report inventory supplies using the purchase method. However, in the Statement of Activities inventory supplies are reported using the consumption method to be consistent with the accrual basis of accounting.	(34,820.86)
Governmental Funds report property taxes as revenue in the period for which the tax is levied, subject to 'Availability', but the Statement of Activities includes the property taxes as revenue in the period for which the taxes are levied, regardless of when collection occurs.	313.91
Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.	8,498.96
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (e.g., accrued interest revenue, pension revenue)	61,094.74
Changes in the pension related deferred outflows/inflows are direct components of pension asset and are not reflected in the governmental funds.	<u>211,738.18</u>
Change in Net Position of Governmental Activities	<u><u>\$2,021,782.42</u></u>

The accompanying notes are an integral part of these financial statements.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

Financial Reporting Entity:

The reporting entity of Eagle Butte School District No. 20-1 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

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 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.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued):

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. Funds are organized into one major category: governmental. An emphasis is placed on major funds within the governmental category. 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 of the individual governmental funds 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 of the individual governmental funds are at least 5 percent of the corresponding total for all governmental funds combined, or
3. Management has elected to classify one or more governmental 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. Included in the General Fund is the Impact Aid Fund, a Fund established by the SDCL 13-16-30 and 13-16-31 to account for receipt of Federal Funds under the provisions of P.L. 103-382, Title VIII for basic support. No expenditures may be directly charged to Impact Aid Fund. The General Fund is always a major fund.

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

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

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

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, governmental 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.

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued):

Basis of Accounting (continued):

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.

Deposits and Investments:

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

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

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 reported in the government-wide or fund financial statements.

Government-wide Financial Statements

All capital assets are valued at historical cost. Donated capital assets are valued at their estimated fair value on the date donated. The amount of donated assets included in the capital assets is \$19,000. The School District has the use of equipment that is owned by another entity at no cost. The fair value of this equipment is \$75,000. Reported cost values include ancillary charges necessary to place 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.

The School District has borrowed no money for construction of fixed assets. Should the School District borrow funds for construction of fixed assets, interest costs incurred during construction of general capital assets, will not be capitalized along with other capital assets costs.

The total June 30, 2015 balance of capital assets for governmental activities is all valued at original cost.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Capital Assets (continued):

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements 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	Straight-line	25yrs.
Buildings	\$50,000	Straight-line	50-65yrs.
Machinery and Equipment	\$5,000	Straight-line	5-25yrs.

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.

Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of accrued leave payable.

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.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Program Revenues (continued):

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.

Equity Classifications:

Government-wide Financial Statements:

Equity is classified as Net Position and is displayed in three components:

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned or Unassigned components.

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.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Fund Balance Classification Policies and Procedures:

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

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

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable form such as inventory.

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

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

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund	Contributions and donations and federal grants
Special Education Fund	Property taxes, tuition, investment earnings, charges for services, grants from state and federal government

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

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.

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 meaning of investments in this note differs from the meaning of the caption investments in the financial statements. Certificates of deposit are considered deposits, but certificates of deposit with a term to maturity of 90 days or more are considered investments in the financial statements.

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

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

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

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Deposits and Investments Credit Risk, Concentrations of Credit Risk and Interest Rate Risk (continued):

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District’s policy is to credit all income from deposits and investments to the General Fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated the 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. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

Receivables and Payables:

The School District aggregates receivables and payables in the financial statements. Detail of the significant components is as follows:

Receivables at June 30, 2015, were as follows:

	<u>Taxes</u>	<u>Accounts Receivable</u>	<u>Due from Other Governments</u>	<u>Total Receivables</u>
Governmental Activities:				
General Fund	\$ 159,595.41	\$ 701.89	\$ 618,794.35	\$ 779,091.65
Special Education Fund	<u>88,193.75</u>	<u>68.95</u>	<u>45,000.00</u>	<u>133,262.70</u>
Total - Governmental Activities	<u>\$ 247,789.16</u>	<u>\$ 770.84</u>	<u>\$ 663,794.35</u>	<u>\$ 912,354.35</u>

Payables at June 30, 2015 were as follows:

	<u>Accounts</u>	<u>Accrued Wages</u>	<u>Other Payables</u>	<u>Total Payables</u>
Governmental Activities:				
General Fund	\$ 16,916.23	\$ 458,039.93	\$ 148,793.91	\$ 623,750.07
Special Education Fund	<u>6,848.79</u>	<u>49,687.95</u>	<u>17,280.12</u>	<u>73,816.86</u>
Total - Governmental Activities	<u>\$ 23,765.02</u>	<u>\$ 507,727.88</u>	<u>\$ 166,074.03</u>	<u>\$ 697,566.93</u>

Subsequent Events:

In preparing the financial statements, the School District has evaluated events and transactions for potential recognition or disclosure through March 15, 2016, the date the financial statements were available to be issued.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 2. Inventory

Inventory is stated at the lower of cost or market. The cost valuation method is first in, first out (FIFO). In the government-wide financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Note 3. Property Taxes

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

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

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 4. Changes in Capital Assets

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

Primary Government

	<u>Balance 7/1/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2015</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 210,576.00	\$ -	\$ -	\$ 210,576.00
Totals, not being depreciated	<u>210,576.00</u>	<u>-</u>	<u>-</u>	<u>210,576.00</u>
Capital assets, being depreciated:				
Buildings	9,092,883.47	-	-	9,092,883.47
Improvements other than buildings	289,458.69	-	-	289,458.69
Machinery and equipment	<u>1,699,641.85</u>	<u>101,181.14</u>	<u>(22,439.45)</u>	<u>1,778,383.54</u>
Totals, being depreciated	<u>11,081,984.01</u>	<u>101,181.14</u>	<u>(22,439.45)</u>	<u>11,160,725.70</u>
Less accumulated depreciation for:				
Buildings	(4,455,424.71)	(198,667.58)	-	(4,654,092.29)
Improvements other than buildings	(76,372.50)	(19,277.94)	-	(95,650.44)
Machinery and equipment	<u>(1,350,078.24)</u>	<u>(168,708.90)</u>	<u>22,439.45</u>	<u>(1,496,347.69)</u>
Total accumulated depreciation	<u>(5,881,875.45)</u>	<u>(386,654.42)</u>	<u>22,439.45</u>	<u>(6,246,090.42)</u>
 Total capital assets, being depreciated, net	 <u>5,200,108.56</u>	 <u>(285,473.28)</u>	 <u>-</u>	 <u>4,914,635.28</u>
 Governmental activities capital assets, net	 <u>\$ 5,410,684.56</u>	 <u>\$ (285,473.28)</u>	 <u>\$ -</u>	 <u>\$ 5,125,211.28</u>

**Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 290,345.27
Support services	92,070.67
Cocurricular	<u>4,238.48</u>
 Total depreciation expense-governmental activities	 <u>\$ 386,654.42</u>

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Liabilities

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

Primary Government:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Accrued Compensated Absences	\$ 63,884.89	\$21,174.76	\$(29,673.72)	\$55,385.93	\$ 8,307.89

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

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

Primary Government

Governmental Activities:
Compensated Absences

Accrued sick leave payable, paid from General Fund and Special Education Fund \$ 55,385.93

Note 6. Interfund Transfers

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

<u>Transfer From:</u>	<u>Transfer to:</u>	
	<u>General Fund</u>	<u>Capital Outlay Fund</u>
General Fund	\$ -	\$300,000.00
Special Education Fund	2,412.26	-
Totals	<u>\$ 2,412.26</u>	<u>\$300,000.00</u>

The School District typically uses transfers to transfer federal monies from Impact Aid Fund to Capital Outlay. Transfers of federal monies from the Impact Aid Fund, which is blended in the General Fund, to other funds are permissible under SDCL 13-13-26.2.

Transfers of investment and deposit earnings to the General Fund are reported. SDCL 4-5-9 and 13-16-18 give the school board the authority to designate whether all such earnings should be retained by any individual funds or credited to the General Fund. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 7. Restricted Net Position

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

<u>Purposes</u>	<u>Restricted By</u>	<u>Amount</u>
Major Funds:		
Capital Outlay	Law	\$ 239,624.86
Special Education	Law	338,386.19
Other Purposes:		
SDRS Pension	Law	<u>1,049,506.29</u>
Total Restricted Net Assets		<u>\$ 1,627,517.34</u>

Note 8. Prior Period Adjustment

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

Net Postion July 1, 2014, as previously reported	\$ 10,257,421.90
Restatement for pension accounting:	
Net Pension Asset	566,030.17
Pension related Deferred Outflows of Resources	<u>210,643.20</u>
Governmental Activities Net Postion July 1, 2014, as restated	<u>\$ 11,034,095.27</u>

Note 9. Pension Plan

Plan Information:

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

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (continued)

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 valued funded ratio is 100% or more – 3.1% COLA
- If the SDRS market valued 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 80.0% – 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 \$211,738.18, \$210,643.20, and \$182,504.38, respectively, equal to the required contributions each year.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (continued)

Pension Assets, Pension Revenue, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

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

Proportionate share of net position restricted for pension benefits	\$ 21,295,599.11
Less proportionate share of total pension liability	<u>19,849,214.05</u>
Proportionate share of net pension asset	<u>\$ 1,446,385.06</u>

At June 30, 2015, the School District reported an asset of \$1,446,385.06 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 District'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 .2007588%, which is an increase of 0% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension revenue of \$61,094.74. 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	\$ 122,383.74	\$ -
Changes in assumption	944,157.04	-
Net difference between projected and actual earnings on pension plan investments	-	1,675,157.73
Changes in proportion and difference between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	<u>211,738.18</u>	<u>-</u>
Total	<u>\$ 1,278,278.96</u>	<u>\$ 1,675,157.73</u>

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (continued)

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

\$211,738.18 reported as deferred outflows 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 revenue as follows:

Year ended June 30:	
2016	\$ 114,931.66
2017	114,931.66
2018	114,931.66
2019	263,821.97
2020	-
Thereafter	-
Total	<u>\$ 608,616.95</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

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (continued)

Actuarial Assumptions (continued):

(expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

Discount Rate:

The discount rate used to measure the total pension 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 District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 1,429,300.48	\$ (1,446,385.06)	\$ (3,791,806.75)

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (continued)

Pension Plan Fiduciary Net Position:

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

Note 10. Risk Management

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

Employee Health Insurance:

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

Liability Insurance:

The School District purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public official 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 judgements. 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.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 10. Risk Management (continued)

Worker's Compensation (continued):

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 retain all risk for liabilities resulting from claims for unemployment benefits.

During the fiscal year ended June 30, 2015, one claim was filed for unemployment benefits. This claim resulted in the payment of benefits in the amount of \$1,556.00. At June 30, 2015, there was no outstanding claims. It is estimated, based upon historical trends, that three additional claims for unemployment benefits will be filed in the next fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - GENERAL FUND

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - GENERAL FUND

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from local sources:				
Taxes:				
Ad valorem taxes	\$ 285,000.00	\$ 285,000.00	\$ 327,913.74	\$ 42,913.74
Prior years' ad valorem taxes	5,000.00	5,000.00	13,495.28	8,495.28
Utility taxes	90,000.00	90,000.00	102,189.59	12,189.59
Penalties and interest on taxes	1,600.00	1,600.00	3,892.46	2,292.46
Earnings on investments and deposits	500.00	500.00	25.07	(474.93)
Other revenue from local sources:				
Rentals	90,000.00	90,000.00	73,229.04	(16,770.96)
Services provided other LEAs	-	-	11,295.63	11,295.63
Other	15,000.00	15,000.00	33,147.09	18,147.09
Revenue from intermediate sources:				
County sources:				
County apportionment	10,000.00	10,000.00	9,538.83	(461.17)
Revenue from State sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	1,535,000.00	1,535,000.00	1,659,482.42	124,482.42
Restricted grants-in-aid	-	-	750.00	750.00
Revenue from Federal sources:				
Grants-in-aid:				

Restricted grants-in-aid received directly from Federal government	217,256.00	217,256.00	217,256.00	-
Restricted grants-in-aid received from Federal government through the State	1,259,637.00	1,362,171.00	1,282,066.73	(80,104.27)
Johnson O'Malley Funds	<u>28,552.00</u>	<u>28,552.00</u>	<u>32,692.00</u>	<u>4,140.00</u>
Total Revenue	<u>3,537,545.00</u>	<u>3,640,079.00</u>	<u>3,766,973.88</u>	<u>126,894.88</u>
Expenditures:				
Instruction:				
Regular programs:				
Elementary	1,194,100.00	1,194,100.00	1,177,595.76	16,504.24
Middle/Junior High	337,000.00	337,000.00	322,882.31	14,117.69
High School	626,647.00	626,647.00	637,244.68	(10,597.68)
Other regular programs	158,750.00	176,739.00	175,370.11	1,368.89
Special programs:				
Culturally different	217,256.00	217,256.00	216,923.47	332.53
Educationally deprived	610,323.00	746,868.00	689,316.33	57,551.67
Support Services:				
Pupils				
Attendance and social work	42,882.00	42,882.00	23,122.33	19,759.67
Guidance	130,689.00	130,689.00	136,261.21	(5,572.21)
Health	51,100.00	51,100.00	44,101.71	6,998.29
Support services - instructional staff:				
Improvement of instruction	324,139.00	272,139.00	224,119.26	48,019.74
Educational media	116,300.00	116,300.00	78,439.00	37,861.00

See the accompanying notes to the
required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - GENERAL FUND (CONTINUED)

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (continued):				
Support Services (continued):				
Support services - general administration:				
Board of education	\$ 147,700.00	\$ 147,700.00	\$ 77,443.95	\$ 70,256.05
Executive administration	165,400.00	165,400.00	164,143.75	1,256.25
Support services - school administration:				
Office of the principal	212,300.00	212,300.00	207,400.36	4,899.64
Other	78,600.00	78,600.00	-	78,600.00
Support services - business:				
Fiscal services	162,200.00	162,200.00	153,912.64	8,287.36
Operation and maintenance of plant	504,000.00	504,000.00	500,705.77	3,294.23
Pupil transportation	65,700.00	65,700.00	45,682.68	20,017.32
Food services	82,700.00	82,700.00	63,177.75	19,522.25
Community Services:				
Custody and care of children	117,959.00	117,959.00	101,395.56	16,563.44
Nonprogrammed charges:				
Payments to state unemployment	10,000.00	10,000.00	1,556.00	8,444.00
Cocurricular activities:				
Combined activities	<u>70,000.00</u>	<u>70,000.00</u>	<u>73,795.80</u>	<u>(3,795.80)</u>
Total Expenditures	<u>5,425,745.00</u>	<u>5,528,279.00</u>	<u>5,114,590.43</u>	<u>413,688.57</u>
Excess of Revenue Over (Under) Expenditures	<u>(1,888,200.00)</u>	<u>(1,888,200.00)</u>	<u>(1,347,616.55)</u>	<u>540,583.45</u>

Other Financing Sources:				
Transfers in	<u>1,888,200.00</u>	<u>1,888,200.00</u>	<u>1,037,208.18</u>	<u>(850,991.82)</u>
Total Other Financing Sources (Uses)	<u>1,888,200.00</u>	<u>1,888,200.00</u>	<u>1,037,208.18</u>	<u>(850,991.82)</u>
Net Change in Fund Balances	-	-	(310,408.37)	(310,408.37)
Fund Balance - Beginning	634,595.64	634,595.64	634,595.64	-
Change in Inventory	<u>-</u>	<u>-</u>	<u>(34,820.86)</u>	<u>(34,820.86)</u>
Fund Balance - Ending	<u>\$ 634,595.64</u>	<u>\$ 634,595.64</u>	<u>\$ 289,366.41</u>	<u>\$ (345,229.23)</u>

See accompanying notes to the
required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - CAPITAL OUTLAY FUND

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - CAPITAL OUTLAY FUND

For the Year Ended June 30, 2015

	Budgeted Amounts		(Budgetary Basis)	Variance with
	Original	Final		Final Budget - Positive (Negative)
Revenues:				
Revenue from Federal sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received directly from Federal government	\$ 33,000.00	\$ 33,000.00	\$ 33,118.00	\$ 118.00
Total Revenue	<u>33,000.00</u>	<u>33,000.00</u>	<u>33,118.00</u>	<u>118.00</u>
Expenditures:				
Instruction:				
Regular programs:				
Elementary	30,000.00	30,000.00	14,026.33	15,973.67
Support services:				
Support services - instructional staff				
Educational media	20,000.00	20,000.00	11,776.00	8,224.00
Support services - general administration:				
Executive administration	5,000.00	5,000.00	3,547.13	1,452.87

Support services - business:				
Fiscal services	5,000.00	5,000.00	3,547.12	1,452.88
Operation and maintenance of plant	145,000.00	145,000.00	83,431.79	61,568.21
Pupil transportation	70,000.00	70,000.00	5,747.07	64,252.93
Food services	20,000.00	20,000.00	7,965.80	12,034.20
Cocurricular activities:				
Combined activities	<u>5,000.00</u>	<u>5,000.00</u>	<u>-</u>	<u>5,000.00</u>
Total Expenditures	<u>300,000.00</u>	<u>300,000.00</u>	<u>130,041.24</u>	<u>169,958.76</u>
Excess of Revenue Over (Under) Expenditures	<u>(267,000.00)</u>	<u>(267,000.00)</u>	<u>(96,923.24)</u>	<u>170,076.76</u>
Other Financing Sources (Uses):				
Transfers in	<u>267,000.00</u>	<u>267,000.00</u>	<u>300,000.00</u>	<u>33,000.00</u>
Total Other Financing Sources (Uses)	<u>267,000.00</u>	<u>267,000.00</u>	<u>300,000.00</u>	<u>33,000.00</u>
Net Change in Fund Balances	-	-	203,076.76	203,076.76
Fund Balance - Beginning	<u>36,548.10</u>	<u>36,548.10</u>	<u>36,548.10</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 36,548.10</u>	<u>\$ 36,548.10</u>	<u>\$ 239,624.86</u>	<u>\$ 203,076.76</u>

See the accompanying notes to the required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - SPECIAL EDUCATION FUND

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - SPECIAL EDUCATION FUND

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from local sources:				
Taxes:				
Ad valorem taxes	\$ 115,000.00	\$ 115,000.00	\$ 168,865.56	\$ 53,865.56
Prior years' ad valorem taxes	1,300.00	1,300.00	3,513.04	2,213.04
Penalties and interest on taxes	600.00	600.00	1,177.55	577.55
Earnings on investment and deposits	3,000.00	3,000.00	2,412.26	(587.74)
Other revenue from local sources:				
Services provided other LEAs	-	-	45,000.00	45,000.00
Other local services	-	-	193.00	193.00
Revenue from State sources:				
Grants-in-aid:				
Restricted grants-in-aid	260,000.00	260,000.00	414,232.00	154,232.00
Revenue from Federal sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received directly from Federal government	80,000.00	80,000.00	122,260.03	42,260.03
Restricted grants-in-aid received from Federal government through the State	216,429.00	216,429.00	216,429.00	-
Total Revenue	<u>676,329.00</u>	<u>676,329.00</u>	<u>974,082.44</u>	<u>297,753.44</u>

Expenditures:
 Instructions:

Special programs:				
Programs for special education	759,000.00	759,000.00	584,323.70	174,676.30
Support Services:				
Pupils:				
Psychological	118,000.00	118,000.00	103,527.51	14,472.49
Speech pathology	5,000.00	5,000.00	5,545.00	(545.00)
Audiology	13,000.00	13,000.00	2,279.24	10,720.76
Student therapy services	7,000.00	7,000.00	-	7,000.00
Support services - instructional staff:				
Improvement of instruction	7,000.00	7,000.00	20,129.38	(13,129.38)
Support services - special education:				
Administrative costs	66,000.00	66,000.00	63,111.40	2,888.60
Transportation costs	-	-	4,143.92	(4,143.92)
Other special education costs	-	-	83,523.54	(83,523.54)
Total Expenditures	<u>975,000.00</u>	<u>975,000.00</u>	<u>866,583.69</u>	<u>108,416.31</u>
Excess of Revenue Over (Under) Expenditures	(298,671.00)	(298,671.00)	107,498.75	406,169.75
Other Financing Sources:				
Transfers out	<u>-</u>	<u>-</u>	<u>(2,412.26)</u>	<u>(2,412.26)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(2,412.26)</u>	<u>(2,412.26)</u>
Net Change in Fund Balances	(298,671.00)	(298,671.00)	105,086.49	403,757.49
Fund Balance - Beginning	<u>235,825.97</u>	<u>235,825.97</u>	<u>235,825.97</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (62,845.03)</u>	<u>\$ (62,845.03)</u>	<u>\$ 340,912.46</u>	<u>\$ 403,757.49</u>

See the accompanying notes to the required supplementary information.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

Note 1. Budgets and Budgetary Accounting

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

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

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

Note 2. USGAAP/Budgetary Accounting Basis Differences

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

Note 3. USGAAP/Budgetary Accounting Basis Difference

The financial statements prepared in conformity with USGAAP presents the Impact Aid Fund, which is a special revenue fund established by South Dakota State Law, SDCL 13-16-30 and 13-16-31, blended with the General Fund. Per South Dakota State Law SDLC 13-11-2, all funds are required to be budgeted, such as General, Impact Aid, and Capital Outlay. GASB requires budgetary RSI for General and major special revenue funds. Impact Aid is not a GASB recognized major special revenue fund so it is not reported as budgetary RSI. General Fund budgetary RSI only includes the budgetary General Fund and not any blended Impact Aid amounts.

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

	Year Ended <u>6/30/2015</u>
General Fund:	
USGAAP Basis Fund Balance	<u>\$ 6,344,994.20</u>
(Deduct) Impact Aid Revenue	(3,397,471.81)
Impact Aid Beginning Balance	(3,992,951.90)
Impact Aid Transfer Out	<u>1,334,795.92</u>
Net Adjustment to GAAP Basis Fund Balance	<u>(6,055,627.79)</u>
Budgetary Basis Fund Balance	<u>\$ 289,366.41</u>

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION ASSET

South Dakota Retirement System

	<u>2015</u>
District's proportion of the net pension asset	0.20075880%
District's proportionate share of net pension asset	\$ 1,446,385.06
District's covered-employee payroll	\$ 3,510,720.00
District's proportionate share of the net pension asset as a percentage of its covered-employee payroll	41.20%
Plan fiduciary net position as a percentage of the total pension asset	107%

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

See the accompanying notes to the
required supplementary information.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS

South Dakota Retirement System

	<u>2015</u>
Contractually required contribution	\$ 210,643.20
Contributions in relation to the contractually required contribution	<u>210,643.20</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
District's covered-employee payroll	3,510,720.00
Contributions as a percentage of covered-employee payroll	6.00%

See the accompanying notes to the
required supplementary information.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Proportionate Share of the Net Pension
Asset and Schedule of Contributions.

Changes of benefit terms:

No changes were made.

Changes of assumptions:

No changes were made.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2015

	<u>CFDA Number</u>	<u>Amount</u>
U.S. Department of the Interior:		
Direct Federal Funding:		
Indian Education - Assistance to Schools (Note 1)	15.130	\$ 32,692.00
Total U.S. Department of the Interior		<u>32,692.00</u>
U.S. Department of Education:		
Direct Federal Funding:		
Impact Aid - Maintenance and Operations (P.L. 81-874) (Note 2) and (Note 1)	84.041	3,517,800.84
Indian Education Grants to Local Educational Agencies	84.060	217,256.00
Indirect Federal Funding:		
SD Department of Education:		
Title I Grants to Local Educational Agencies (Note 2)	84.010	961,410.00
Career and Technical Education - Basic Grants to State	84.048	32,784.00
Twenty-First Century Community Learning Centers - Beyond the Curriculum	84.287C	103,790.00
Improving Teacher Quality State Grants	84.367	176,739.00
Special Education Cluster:		
Special Education - Grants to States	84.027	210,884.00
Special Education - Preschool Grants	84.173	5,545.00
Mid Central Educational Cooperative:		
College Access Challenge Grant for Undergraduate Programs	84.378	6,611.01
	84.334	<u>642.72</u>
Total U.S. Department of Education		<u>5,233,462.57</u>
Grand Total		<u>\$ 5,266,154.57</u>

Note 1: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

Note 2: This represents a major federal financial assistance program.

Note 3: The significant accounting policies used to prepare this schedule are the same significant accounting policies as disclosed in the Notes to Financial Statements.