

**ELKTON
SCHOOL DISTRICT NO. 5-3
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2015**

ELKTON SCHOOL DISTRICT NO. 5-3
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2015

School Board

Charles Remund

Tom Landsman

Donna Bumann

Tim Bauer

Jennifer Kampmann

Business Manager

Moe Bruns

Superintendent

Brian Jandahl

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INDEPENDENT AUDITOR'S REPORT

School Board
Elkton School District No. 5-3
Brookings County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Elkton School District No. 5-3, Brookings County, South Dakota, 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 Elkton School District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Elkton School District No. 5-3 as of June 30, 2015, and the respective changes in financial position and, where applicable cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard

As described in the Notes 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 the Notes 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 the matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2016, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Quam & Berglin, P.C.

Quam & Berglin, P.C.
Certified Public Accountants

February 22, 2016

**ELKTON SCHOOL DISTRICT NO. 5-3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

This section of the Elkton School District No. 5-3's financial report presents our discussion and analysis of the School's financial performance during the fiscal year ending on June 30, 2015. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Elkton School District started its first year in 2014 of Basin Electric at the discretionary formula. So for the end of 2014 Basin was at 20% value and moved to 40% valuation in 2015. The state continues to pay the portion not paid by local effort for our need.
- We tried to use less Capital Outlay for expenditures since that law will be sunsetting soon. We moved \$142,991.00 in expenses for liability insurance, electricity & fuel oil.
- Negotiations brought a raise of 2 steps for certified staff leaving the base at \$29,250. Certified staff also received a \$50 one-time payment.
- This was the year we changed the co curricular salary schedule to percentages per duty * base pay. This came closer to aligning with neighboring schools. As the base increases so does the co curricular salary.
- This was the first year the cash balance for each fund was submitted with the annual report. There were no real surprises with this. It just graphically showed how low our district goes before the larger checks from the Counties come in.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual 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 School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.
- ☑ The governmental fund statements tell how general government services are financed in the short-term as well as what remains for future spending.
- ☑ Proprietary fund statements offer short-term and long-term financial information about the activities that the school operates like a business. The only proprietary fund operated by the school is the School's Food Service Fund.
- ☑ Fiduciary fund statements provide information about the financial relationships in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1

Required components of Elkton School's Annual Financial Report

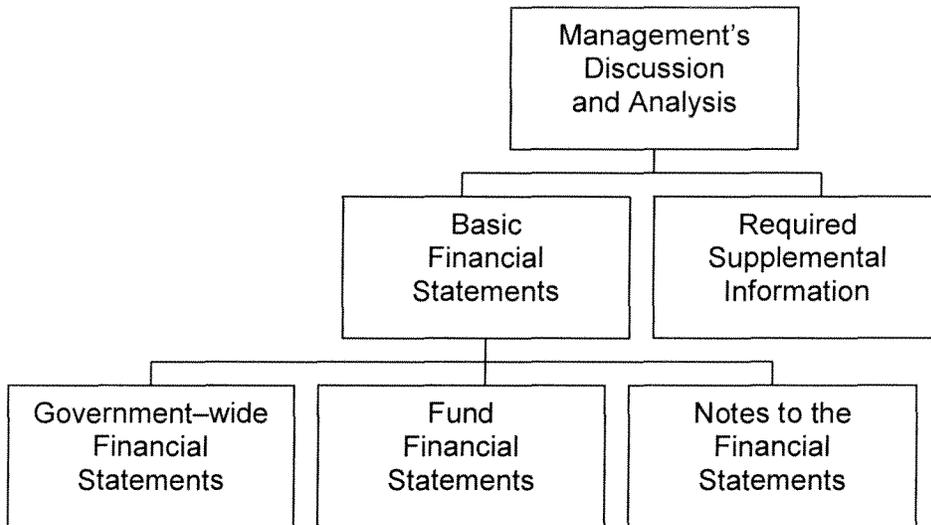


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2

Major Features of Elkton School District’s Government-wide and Fund Financial Statements

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

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are

accounted for in the statement of activities regardless of when cash is received or paid. This includes the General Fund, Capital Outlay Fund, Special Education Fund, Bond Redemption, and Pension Fund.

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

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

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

- **Governmental Activities** - This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** - The school charges a fee to students to help cover the costs of providing hot lunch services to all students. There is a fee charged for Drivers Ed which is also one of the business-type activities of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds – not the School as a whole. Funds are accounting devices that the School 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 School has three kinds of funds:

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

type of proprietary fund) is the same as its business-type activities, but provides more detail and additional information such as cash flows.

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

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School’s combined net position is as follows:

Table A-3
ELKTON SCHOOL DISTRICT NO. 5-3
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government					
	Governmental Activities				Business-Type Activities	
	FY2014	FY2015	FY2014	FY2015	FY2014	FY2015
Current and Other Assets	\$ 4,049,253.59	\$ 4,296,622.54	\$ 44,342.17	\$ 42,077.67	\$ 4,093,595.76	\$ 4,338,700.21
Capital Assets (net of depreciation)	7,188,751.10	7,821,442.06	10,768.57	10,501.51	7,199,519.67	7,831,943.57
Total Assets	11,238,004.69	12,118,064.60	55,110.74	52,579.18	11,293,115.43	12,170,643.78
Pension Related Deferred Outflows		615,529.33				615,529.33
Long-Term Debt Outstanding	3,121,923.00	3,154,884.00			3,121,923.00	3,154,884.00
Other Liabilities	344,956.44	309,887.96	20,334.00	18,592.85	365,290.44	328,480.81
Total Liabilities	3,466,879.44	3,464,771.96	20,334.00	18,592.85	3,487,213.44	3,483,364.81
Taxes Levied for Future Period	950,496.02	1,162,181.65			950,496.02	1,162,181.65
Pension Related Deferred Inflows		801,565.59				801,565.59
Total Deferred Inflows of Resources	950,496.02	1,963,747.24			950,496.02	1,963,747.24
Net Position:						
Net Investment in Capital Assets	4,386,910.46	4,774,911.06	10,768.57	10,501.51	4,397,679.03	4,785,412.57
Restricted	1,882,750.81	2,150,000.30			1,882,750.81	2,150,000.30
Unrestricted	550,967.96	380,163.37	24,008.17	23,484.82	574,976.13	403,648.19
Total Net Position	\$ 6,820,629.23	\$ 7,305,074.73	\$ 34,776.74	\$ 33,986.33	\$ 6,855,405.97	\$ 7,339,061.06
Beginning Net Position	6,594,001.36	7,192,268.63	31,860.60	34,776.74	6,625,861.96	7,227,045.37
Increase (Decrease) in Net Position	\$ 226,627.87	\$ 112,806.10	\$ 2,916.14	\$ (790.41)	\$ 229,544.01	\$ 112,015.69
Percentage of Increase (Decrease) in Net Position	3.44%	1.57%	9.15%	-2.27%	3.46%	1.55%

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 General Obligation Bonds, Capital Outlay Certificates, and Early Retirement Payments have been reported in this manner on the Statement of Net Position. The difference between the school’s assets and liabilities is its net position.

Changes in Net Position

Table A-3 shows an increase in net position but not as large as the year before. This is lower because we took on more debt in the amount of \$350,000, from the state as an energy loan. You can see the difference in the co curricular salary changes under the expenditures. We are definitely paying more in salaries.

Table A-4
ELKTON SCHOOL DISTRICT #5-3
Revenue Comparison

Revenues	<u>2014</u>	<u>2015</u>	<u>Increase</u>	
			<u>(Decrease)</u>	
Program Revenues				
Charges for Services	\$ 457,956.31	\$ 491,949.52	\$ 33,993.21	7.42%
Operating Grants and Contributions	269,832.08	240,528.99	(29,303.09)	-10.86%
General Revenues				
Taxes	2,635,710.96	2,256,698.45	(379,012.51)	-14.38%
Revenue State Sources	461,573.65	632,990.16	171,416.51	37.14%
Other General Revenue	48,487.32	70,524.04	22,036.72	45.45%
Unrestricted Investment Earnings	<u>2,656.89</u>	<u>2,767.00</u>	<u>110.11</u>	4.14%
Total Revenues	<u>\$ 3,876,217.21</u>	<u>\$ 3,695,458.16</u>	<u>\$ (180,759.05)</u>	-4.66%

Again this year the district realized a reduction of ad valorem from the Counties. I would attribute that to the discretionary granted to Basin Electric. We did see a large increase in Revenue from State Sources which is explained by the increase in state aid as well as the revenue from the energy grant to be utilized for Geo-Thermal. We did see an increase in the number of Lake Benton students this year for an increase in our Charges for Services. (See Table A-4 and Figure A-4)

Figure A-4

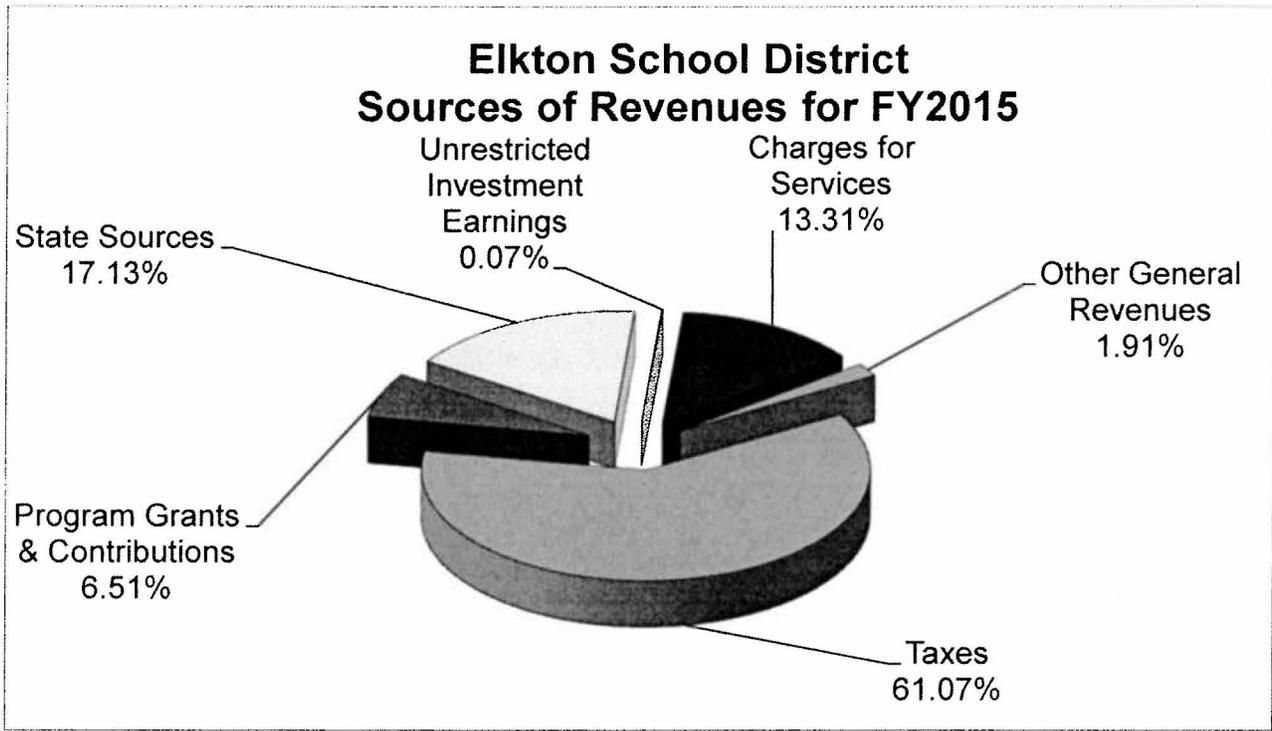
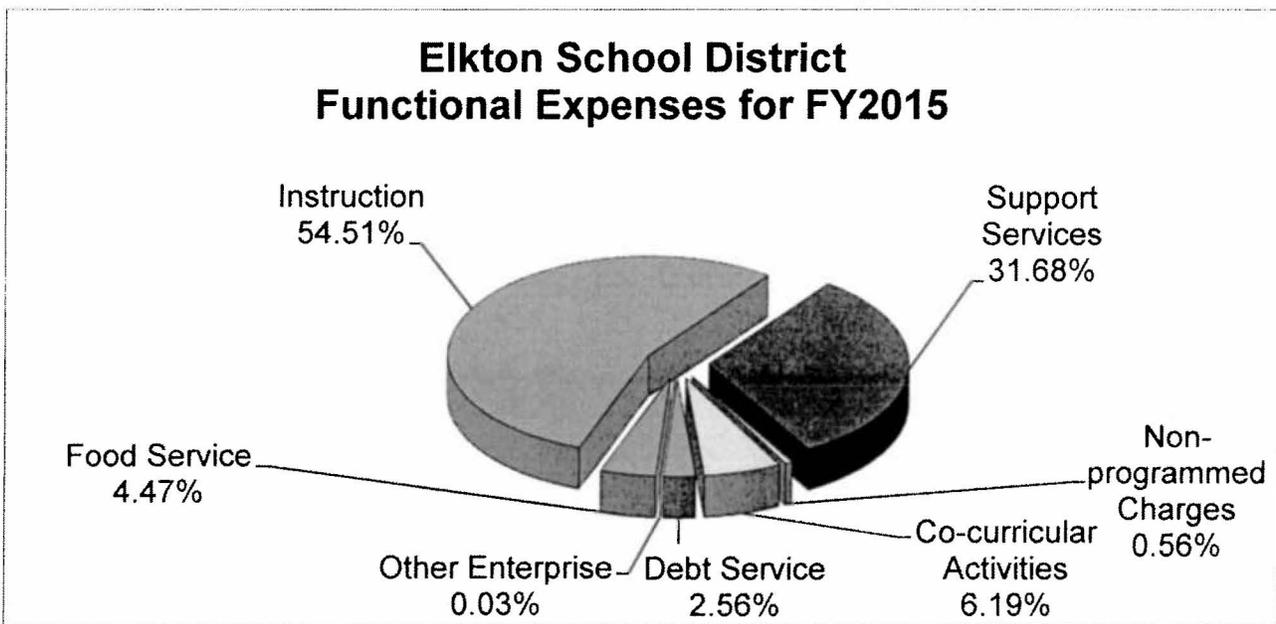


Figure A-5 This graph shows that we really have remained pretty even in expenses from last year to this year. There are slight changes. Instructional is down again which is explained by decreases in staff through retirement & resignations. We did not replace all of them. In Special Education we went from a teacher & 3 aids to 2 teachers & 1 aid.

Figure A-5



GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Table A-6 and the narrative that follows consider the operations of governmental and business-type activities separately.

Table A-6
ELKTON SCHOOL DISTRICT NO. 5-3
Changes in Net Position

	Total Governmental Activities		Total Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
Revenues						
Program Revenues						
Charges for Services	\$ 376,284.46	\$ 406,770.92	\$ 81,671.85	\$ 85,178.60	\$ 457,956.31	\$ 491,949.52
Operating Grants and Contributions	192,258.46	165,194.36	77,573.62	75,334.63	269,832.08	240,528.99
General Revenues						
Taxes	2,635,710.96	2,256,698.45			2,635,710.96	2,256,698.45
Revenue State Sources	461,573.65	632,990.16			461,573.65	632,990.16
Other General Revenue	48,487.32	70,524.04			48,487.32	70,524.04
Unrestricted Investment Earnings	2,656.89	2,767.00			2,656.89	2,767.00
Total Revenues	3,716,971.74	3,534,944.93	159,245.47	160,513.23	3,876,217.21	3,695,458.16
Expenses						
Instruction	\$ 2,010,906.23	\$ 1,953,262.65	\$	\$	\$ 2,010,906.23	\$ 1,953,262.65
Support Services	1,149,766.99	1,135,086.84			1,149,766.99	1,135,086.84
Nonprogrammed Charges	20,700.00	20,190.00			20,700.00	20,190.00
Debt Services	97,378.94	91,639.35			97,378.94	91,639.35
Cocurricular Activities	203,788.00	221,959.99			203,788.00	221,959.99
Other Enterprise			4,950.45	987.52		987.52
Food Service			159,182.59	160,316.12	159,182.59	160,316.12
Total Expenses	3,482,540.16	3,422,138.83	164,133.04	161,303.64	3,641,722.75	3,583,442.47
Excess (Deficiency) Before						
Special Items and Transfers	234,431.58	112,806.10	(4,887.57)	(790.41)	229,544.01	112,015.69
Transfers In (Out)	(7,803.71)		7,803.71			
Increase (Decrease) in Net Position	226,627.87	112,806.10	2,916.14	(790.41)	229,544.01	112,015.69
NET POSITION - ENDING	\$ 6,820,629.23	\$ 7,305,074.73	\$ 34,776.74	\$ 33,986.33	\$ 6,855,405.97	\$ 7,339,061.06

Governmental Activities

Table A-6 again shows that the Elkton School District received a decrease in revenue by 4.9%. Taxes were decreased by 14% and state revenue increased by 37%. So not only was state aid increased but we also received the energy loan from the state. We also had an increase in students from Lake Benton so the charges for services are up by 7%. This was the first year in many that we did not go to the extraordinary costs for our Special Education program.

Table A-6 shows we held expenses down by 1.7% from last year. To accomplish this we did not rehire a position, reduced a staff member in special education, and still were able to hire a full time elementary teacher to be able to split up the large 1st grade class. Instruction was down by 2.8%. There is another factor that you can see in the co curricular. We changed the complete salary

structure to position * % of the base. So there was an increase in expenses for co curricular of 8.9%. Our base this year was \$29,250.00

Business-type Activities

Revenues of the School's business-type activities (Food Service & Driver Education) increased by .8% while the expenses decreased by about 1.7%.

Factors contributing to these results included:

- The staff continues to strive for accuracy in our counts for meals.
- The cost of our food keeps increasing and we increased all meals by \$.10.
- The salad option continues to be a great addition for adults.
- The Driver education contract expenses did not get expensed in this year.
- The Driver education program ended up with a positive fund balance.
- The Driver education program expenses typically come in the summer.

A review of the Driver Education fund shows that the fund ended in the positive this year. The expenses will be paid during the summer though since I didn't expense the contract for our teacher. We charged \$235 for district students and \$275 for non district students. We ended the year with a fund balance of \$4,850.73.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The financial analysis of the School's funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The School now has two business-type funds – Food Service & Drivers Education Funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items needed for the education program of this district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

CAPITAL ASSET ADMINISTRATION

FY2015 shows an increase of Capital Assets of \$928,529 for governmental activities. That again gives us a 9% increase. As you can see we had a large increase in the improvements other than buildings, \$1,136,689. This would be the large volume of Geo Thermal we completed in the beginning of the year as well as the end of the year. The project is scheduled to be fully complete when school starts in 2015. We expect to see some savings in the general fund because we will no longer need to heat the building with fuel oil. We only have water heaters on the boilers in the basement. It looks like we average about 10 gallons of fuel per day on usage.

Table A-7
ELKTON SCHOOL DISTRICT NO. 5-3
Capital Assets
(not including accumulated depreciation)

	Governmental Activities			Business-Type Activities		
	2014	2015	Increase/ Decrease	2014	2015	Increase/ Decrease
Land	\$ 33,445	\$ 33,445	\$	\$	\$	\$
Construction in Progress	235,995		(235,995)			
Buildings	5,693,945	5,709,015	15,070			
Improvements other than Building	2,606,995	3,743,684	1,136,689			
Machinery and Equipment	1,247,978	1,259,542	11,564	83,795	84,870	1,075
Library Books	88,989	90,190	1,201			
Total Capital Assets	\$ 9,907,347	\$ 10,835,876	\$ 928,529	\$ 83,795	\$ 84,870	\$ 1,075

This year's capital asset increase under the machinery & equipment we purchased carpet & a Chariot floor cleaner. We have also constructed a concession stand in the South gym which is the increase in buildings. We have again purchased more library books. The decrease in construction in progress would be from the geo project which is moved into the improvements other than buildings.

LONG-TERM DEBT

At the end of the 2015 school year, Elkton had \$3,154,884.00 in Outstanding Debt & Obligations. This is a net increase of 1.06% as shown on Table A-8 below. The increase is due to obtaining the energy loan from the state in the amount of \$350,000 to complete the Geo-Thermal Project.

Table A-8
ELKTON SCHOOL DISTRICT NO. 5-3
Outstanding Debt and Obligations

	Governmental Activities	
	2014	2015
General Obligation Bonds	\$ 245,000.00	\$ 160,000.00
Qualified School Construction Bonds	1,326,531.00	1,326,531.00
Capital Outlay Certificates	1,465,000.00	1,210,000.00
Energy Loan		350,000.00
Early Retirement	35,950.00	46,450.00
Other Post-Employment Benefits	49,442.00	61,903.00
Total Long-Term Liabilities	\$ 3,121,923.00	\$ 3,154,884.00
Net Increase (Decrease)		1.06%

The School maintains an early retirement plan, which allows those meeting certain criteria, to retire early and receive a lump sum payment which is a product of their years of service to the district

multiplied by \$300.00, plus the product of all accumulated sick days multiplied by half the current amount of substitute pay. The product of \$300.00 per month for every month until said employee reaches the age of 65 is payable in annual payments into the retirement fund. This plan allows the school to reduce their overall program cost by hiring lower paid teachers to replace them.

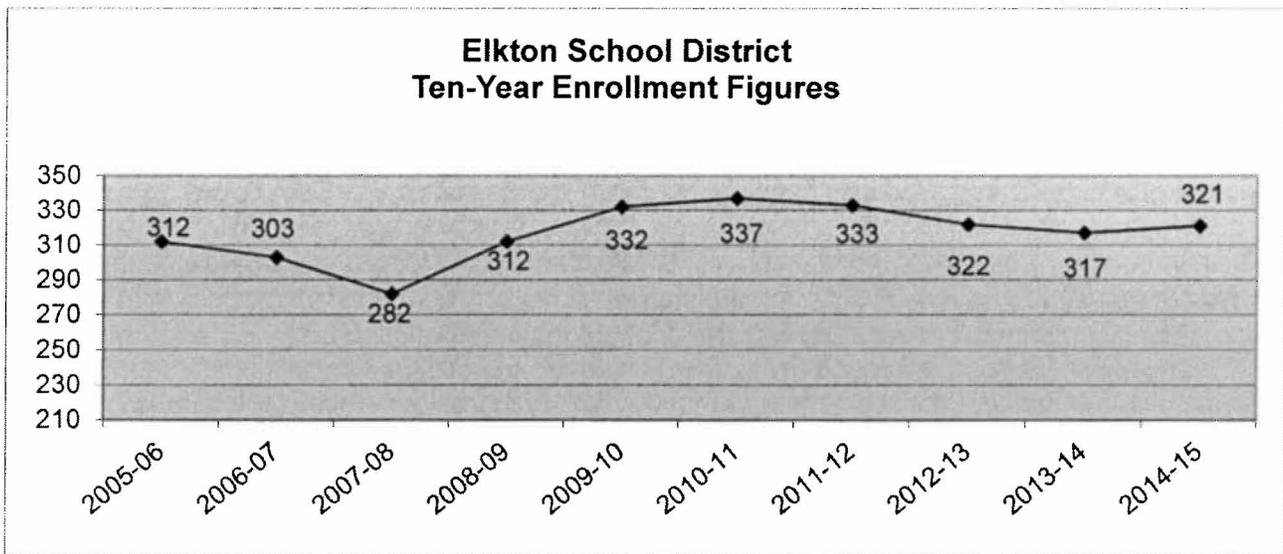
ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

At the close of the 2015 school year we find that the geo thermal project is close to completion. We still are on target to complete the payments on the capital outlay certificates by 2021. We continue to see the benefits of Basin Electric in our district as their discretionary valuation increases.

One of the primary sources of revenue to the school is based on a per student allocation received from the State of South Dakota. The state aid formula for the current year ensures that property taxes plus state aid will equal \$4,781.14 per student, which is a 3.6% increase from last year, plus \$705.78 for the small school adjustment per pupil. Our Limited English Proficiency Adjustment based on student test scores brought us \$4,626.00 for our students who qualified. We also saw an increase in our number of students from Lake Benton for an increase of 2.7% in funding.

We constantly strive to keep our budget as low as possible but increases are inevitable. Our budget for this next year is \$4,918,779 for all funds. In the General Fund we have a slight increase of \$28,257 or a 1% increase. The biggest change is in the Capital Outlay fund with the Geo project almost complete we increased the debt services. The increase is \$147,500 for a 54% increase.

The school’s enrollment for the last ten years has been as follows:



CONTACTING THE SCHOOL’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the School’s finances and to demonstrate the School’s accountability for the money it receives. If you have questions about this report or need additional information, contact the Elkton School District’s Business Office, 508 Buffalo St., PO Box 190, Elkton, South Dakota 57026.

ELKTON SCHOOL DISTRICT NO. 5-3
STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
ASSETS:			
Cash and Cash Equivalents	\$ 1,838,239.72	\$ 33,121.09	\$ 1,871,360.81
Investments	220,000.00		220,000.00
Taxes Receivable	1,163,075.23		1,163,075.23
Accounts Receivable	2,000.00		2,000.00
Due from Other Governments	48,018.97		48,018.97
Inventories	20,043.00	8,956.58	28,999.58
Net Pension Asset	692,097.51		692,097.51
Restricted Assets:			
Cash and Cash Equivalents	313,148.11		313,148.11
Capital Assets:			
Land	33,445.00		33,445.00
Other Capital Assets, Net of Depreciation	7,787,997.06	10,501.51	7,798,498.57
TOTAL ASSETS	<u>12,118,064.60</u>	<u>52,579.18</u>	<u>12,170,643.78</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	615,529.33		615,529.33
LIABILITIES :			
Accrued Wages and Benefits Payable	277,178.10	14,712.50	291,890.60
Unearned Revenue	32,709.86		32,709.86
Deposits Payable		3,880.35	3,880.35
Noncurrent Liabilities:			
Due Within One Year	466,331.24		466,331.24
Due in More than One Year	2,688,552.76		2,688,552.76
TOTAL LIABILITIES	<u>3,464,771.96</u>	<u>18,592.85</u>	<u>3,483,364.81</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension Related Deferred Inflows	801,565.59		801,565.59
Taxes levied for Future Period	1,162,181.65		1,162,181.65
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,963,747.24</u>		<u>1,963,747.24</u>
NET POSITION:			
Net Investment in Capital Assets	4,774,911.06	10,501.51	4,785,412.57
Restricted for:			
Capital Outlay	1,020,134.49		1,020,134.49
Special Education	35,775.10		35,775.10
Debt Service	540,604.50		540,604.50
Pension	47,424.96		47,424.96
SDRS Pension Purposes	506,061.25		506,061.25
Unrestricted (Deficit)	380,163.37	23,484.82	403,648.19
TOTAL NET POSITION	<u>\$ 7,305,074.73</u>	<u>\$ 33,986.33</u>	<u>\$ 7,339,061.06</u>

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

**ELKTON SCHOOL DISTRICT NO. 5-3
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	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instruction	\$ 1,953,262.65	\$ 320,346.29	\$ 165,194.36	\$ (1,467,722.00)	\$	\$(1,467,722.00)
Support Services	1,135,086.84	52,216.39		(1,082,870.45)		(1,082,870.45)
Nonprogrammed Charges	20,190.00			(20,190.00)		(20,190.00)
*Interest on Long-term Debt	91,639.35			(91,639.35)		(91,639.35)
Cocurricular Activities	221,959.99	34,208.24		(187,751.75)		(187,751.75)
Total Governmental Activities	3,422,138.83	406,770.92	165,194.36	(2,850,173.55)		(2,850,173.55)
Business-type Activities:						
Food Service	160,316.12	79,848.60	75,334.63		(5,132.89)	(5,132.89)
Driver's Education	987.52	5,330.00			4,342.48	4,342.48
Total Business-type Activities	161,303.64	85,178.60	75,334.63		(790.41)	(790.41)
Total Primary Government	\$ 3,583,442.47	\$ 491,949.52	\$ 240,528.99	(2,850,173.55)	(790.41)	(2,850,963.96)
General Revenues:						
Taxes:						
Property Taxes				2,221,103.90		2,221,103.90
Utility Taxes				35,594.55		35,594.55
Revenue from State Sources:						
State Aid				632,990.16		632,990.16
Unrestricted Investment Earnings				2,767.00		2,767.00
Other General Revenues				70,524.04		70,524.04
Total General Revenues				2,962,979.65		2,962,979.65
Change in Net Position				112,806.10	(790.41)	112,015.69
Net Position - Beginning				6,820,629.23	34,776.74	6,855,405.97
Prior Period Adjustment				371,639.40		371,639.40
Adjusted Net Position - Beginning				7,192,268.63	34,776.74	7,227,045.37
NET POSITION - ENDING				\$ 7,305,074.73	\$ 33,986.33	\$ 7,339,061.06

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

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

**ELKTON SCHOOL DISTRICT NO. 5-3
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
ASSETS:						
Cash and Cash Equivalents	\$ 566,821.68	\$ 877,614.45	\$ 87,497.65	\$ 93,851.90	\$ 212,454.04	\$ 1,838,239.72
Cash with Fiscal Agent					313,148.11	313,148.11
Investments	30,000.00	175,000.00			15,000.00	220,000.00
Taxes Receivable-Current	550,220.38	374,378.75	200,090.85	37,491.67		1,162,181.65
Taxes Receivable-Delinquent	517.97	229.90	120.30	23.06	2.35	893.58
Accounts Receivable	2,000.00					2,000.00
Due from Other Governments	48,018.97					48,018.97
Inventory-Supplies	20,043.00					20,043.00
TOTAL ASSETS	<u>\$ 1,217,622.00</u>	<u>\$ 1,427,223.10</u>	<u>\$ 287,708.80</u>	<u>\$ 131,366.63</u>	<u>\$ 540,604.50</u>	<u>\$ 3,604,525.03</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:						
Liabilities:						
Contracts Payable	\$ 163,481.77		\$ 36,212.57			\$ 199,694.34
Payroll Deductions and Withholdings and Employer Matching Payable	61,853.48		15,630.28			77,483.76
Unearned Revenue		32,709.86				32,709.86
Total Liabilities	<u>225,335.25</u>	<u>32,709.86</u>	<u>51,842.85</u>			<u>309,887.96</u>
Deferred Inflows of Resources:						
Taxes Levied for a Future Period	550,220.38	374,378.75	200,090.85	37,491.67		1,162,181.65
Unavailable Revenue-Property Taxes	517.97	229.90	120.30	23.06	2.35	893.58
Total Deferred Inflows of Resources	<u>550,738.35</u>	<u>374,608.65</u>	<u>200,211.15</u>	<u>37,514.73</u>	<u>2.35</u>	<u>1,163,075.23</u>
Fund Balances:						
Nonspendable	20,043.00					20,043.00
Restricted		1,019,904.59	35,654.80	93,851.90	540,602.15	1,690,013.44
Unassigned	421,505.40					421,505.40
Total Fund Balances	<u>441,548.40</u>	<u>1,019,904.59</u>	<u>35,654.80</u>	<u>93,851.90</u>	<u>540,602.15</u>	<u>2,131,561.84</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,217,622.00</u>	<u>\$ 1,427,223.10</u>	<u>\$ 287,708.80</u>	<u>\$ 131,366.63</u>	<u>\$ 540,604.50</u>	<u>\$ 3,604,525.03</u>

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

**ELKTON SCHOOL DISTRICT NO. 5-3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total Fund Balances - Governmental Funds \$ 2,131,561.84

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of Assets	\$ 10,835,875.48	
(Less) Accumulated depreciation	<u>(3,014,433.42)</u>	7,821,442.06

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:

G.O. Bonds Payable	(160,000.00)	
Notes Payable	(350,000.00)	
Capital Outlay Certificates	(1,210,000.00)	
Capital Outlay Qualified School Construction Bonds	(1,326,531.00)	
Early Retirement Payable	(46,450.00)	
Other Post Employment Benefits Payable	<u>(61,903.00)</u>	(3,154,884.00)

Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds. 893.58

Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. 692,097.51

Pension related deferred outflows are components of pension asset and therefore are not reported in the funds. 615,529.33

Pension related deferred inflows are components of pension liability and therefore are not reported in the funds. (801,565.59)

Net Position - Governmental Funds \$ 7,305,074.73

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

ELKTON SCHOOL DISTRICT NO. 5-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
Revenues:						
Revenue from Local Sources:						
Taxes:						
Ad Valorem Taxes	\$ 1,009,287.43	\$ 740,888.25	\$ 392,156.23	\$ 74,171.56	\$	\$ 2,216,503.47
Prior Years' Ad Valorem Taxes	757.46	306.48	152.86	30.66	25.12	1,272.58
Utility Taxes	35,594.55					35,594.55
Penalties and Interest on Taxes	1,939.50	621.80	324.50	62.21	3.45	2,951.46
Tuition and Fees:						
Regular Day School Tuition			9,602.00			9,602.00
Tuition for Credit from Other LEAs	304,444.29					304,444.29
Transportation Fees	6,300.00					6,300.00
Earnings on Investments and Deposits	549.96	1,412.91		133.46	670.67	2,767.00
Cocurricular Activities:						
Admissions	31,784.45					31,784.45
Other Pupil Activity	2,423.79					2,423.79
Other Revenue from Local Sources:						
Contributions and Donations	240.00	11,000.00				11,240.00
Services Provided Other LEAs	10,600.00					10,600.00
Medicaid Direct Services			7,319.31			7,319.31
Medicaid Indirect Administrative Services	4,300.14		763.00			5,063.14
Other	25,901.68					25,901.68
Revenue from Intermediate Sources:						
County Sources:						
County Apportionment	28,022.85					28,022.85
Revenue in Lieu of Taxes	4,470.92	543.93	290.81	53.85		5,359.51
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid	632,990.16					632,990.16
Restricted Grants-in-Aid	7,000.00					7,000.00
Other State Revenue	1,100.00					1,100.00

Revenue from Federal Sources:						
Grants-in-Aid:						
Restricted Grants-in-Aid Received from						
Federal Government through State	86,019.00	5,403.00				91,422.00
Other Federal Revenue		65,672.36				65,672.36
Total Revenue	<u>2,193,726.18</u>	<u>825,848.73</u>	<u>410,608.71</u>	<u>74,451.74</u>	<u>699.24</u>	<u>3,505,334.60</u>
Expenditures:						
Instruction:						
Regular Programs:						
Elementary	592,216.75	27,925.75		27,484.64		647,627.14
Middle/Junior High School	165,952.78	3,843.56		8,352.84		178,149.18
High School	505,323.84	31,015.41		37,503.03		573,842.28
Preschool Services	48,882.82			2,000.00		50,882.82
Special Programs:						
Programs for Special Education			326,576.50			326,576.50
Educationally Deprived	92,533.84					92,533.84
Support Services:						
Pupils:						
Guidance	50,383.80		468.00	2,223.01		53,074.81
Health	14,158.81		41,861.76	608.98		56,629.55
Psychological			7,502.52			7,502.52
Speech Pathology			15,529.01			15,529.01
Student Therapy Services			11,377.80			11,377.80
Support Services - Instructional Staff:						
Improvement of Instruction	7,000.00					7,000.00
Educational Media	74,110.42	21,151.18		2,921.17		98,182.77
Support Services - General Administration:						
Board of Education	15,897.45	48,498.00				64,395.45
Executive Administration	178,103.48	4,742.25		6,894.00		189,739.73
Support Services - School Administration:						
Office of the Principal	132,867.71	4,957.26		5,314.56		143,139.53
Other	113.92					113.92
Support Services - Business:						
Fiscal Services	64,290.74	11,225.66		2,964.00		78,480.40
Operation and Maintenance of Plant	168,266.05	88,273.04		4,421.55		260,960.64
Pupil Transportation	110,439.83			772.14		111,211.97

ELKTON SCHOOL DISTRICT NO. 5-3
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	Pension Fund	Bond Redemption Fund	Total Governmental Funds
Nonprogrammed Charges:						
Early Retirement Payments				9,690.00		9,690.00
Debt Services		343,264.35			88,375.00	431,639.35
Cocurricular Activities:						
Male Activities	39,719.58	799.85		950.00		41,469.43
Female Activities	39,816.71	2,247.00		800.00		42,863.71
Transportation	12,239.96			375.00		12,614.96
Combined Activities	41,801.80			1,500.00		43,301.80
Capital Outlay		<u>928,527.59</u>				<u>928,527.59</u>
Total Expenditures	<u>2,354,120.29</u>	<u>1,516,470.90</u>	<u>403,315.59</u>	<u>114,774.92</u>	<u>88,375.00</u>	<u>4,477,056.70</u>
20 Excess of Revenue Over (Under)						
Expenditures	(160,394.11)	(690,622.17)	7,293.12	(40,323.18)	(87,675.76)	(971,722.10)
Other Financing Sources (Uses):						
Transfer In	1,790.53				78,031.24	79,821.77
Transfer (Out)		(79,444.15)		(133.46)	(244.16)	(79,821.77)
Proceeds of Long Term Debt		<u>350,000.00</u>				<u>350,000.00</u>
Total Other Financing Sources (Uses)	<u>1,790.53</u>	<u>270,555.85</u>		<u>(133.46)</u>	<u>77,787.08</u>	<u>350,000.00</u>
Net Change in Fund Balances	(158,603.58)	(420,066.32)	7,293.12	(40,456.64)	(9,888.68)	(621,722.10)
Beginning Fund Balance	<u>600,151.98</u>	<u>1,439,970.91</u>	<u>28,361.68</u>	<u>134,308.54</u>	<u>550,490.83</u>	<u>2,753,283.94</u>
ENDING FUND BALANCE	<u>\$ 441,548.40</u>	<u>\$ 1,019,904.59</u>	<u>\$ 35,654.80</u>	<u>\$ 93,851.90</u>	<u>\$ 540,602.15</u>	<u>\$ 2,131,561.84</u>

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

**ELKTON SCHOOL DISTRICT NO. 5-3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balances - Total Governmental Funds \$ (621,722.10)

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 capital outlays exceeded depreciation expense in the period.

Capital Outlays	\$ 928,527.59	
Depreciation Expense	<u>(295,836.63)</u>	632,690.96

The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government-wide statements. (350,000.00)

Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position. 340,000.00

Certain operating expenses reported on the statement of activities are measured by the amounts earned and paid during the year. In the governmental funds however expenditures for these items are the amount of financial resources used. These are the amounts by which these liabilities changed:

Early Retirement	(10,500.00)	
Other Post Employment Benefits	<u>(12,461.00)</u>	(22,961.00)

Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues decreased by this amount this year. 376.39

Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds. 134,421.85

Change in Net Position of Governmental Activities \$ 112,806.10

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

ELKTON SCHOOL DISTRICT NO. 5-3
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 28,270.36	\$ 4,850.73	\$ 33,121.09
Inventory of Supplies	607.53		607.53
Inventory of Stores Purchased for Resale	2,826.26		2,826.26
Inventory of Donated Food	5,522.79		5,522.79
Total Current Assets	<u>37,226.94</u>	<u>4,850.73</u>	<u>42,077.67</u>
Noncurrent Assets:			
Machinery and Equipment	84,870.13		84,870.13
Less: Accumulated Depreciation	<u>(74,368.62)</u>		<u>(74,368.62)</u>
Total Noncurrent Assets	<u>10,501.51</u>		<u>10,501.51</u>
TOTAL ASSETS	<u>47,728.45</u>	<u>4,850.73</u>	<u>52,579.18</u>
LIABILITIES:			
Current Liabilities:			
Contracts Payable	10,230.10		10,230.10
Payroll Deductions and Withholdings and Employer Matching Payable	4,482.40		4,482.40
Deposits Payable	<u>3,880.35</u>		<u>3,880.35</u>
Total Current Liabilities	<u>18,592.85</u>		<u>18,592.85</u>
NET POSITION:			
Net Investment in Capital Assets	10,501.51		10,501.51
Unrestricted Net Position	<u>18,634.09</u>	<u>4,850.73</u>	<u>23,484.82</u>
Total Net Position	<u>\$ 29,135.60</u>	<u>\$ 4,850.73</u>	<u>\$ 33,986.33</u>

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

ELKTON SCHOOL DISTRICT NO. 5-3
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	
Operating Revenue:			
Tuition and Fees:			
Driver's Education	\$	\$ 5,330.00	\$ 5,330.00
Food Sales:			
To Pupils	71,326.60		71,326.60
To Adults	7,145.30		7,145.30
Other	1,376.70		1,376.70
Total Operating Revenue	<u>79,848.60</u>	<u>5,330.00</u>	<u>85,178.60</u>
Operating Expenses:			
Other Community Services:			
Supplies		366.11	366.11
Food Service:			
Salaries	65,650.23		65,650.23
Employee Benefits	26,497.80		26,497.80
Purchased Services	3,473.66	621.41	4,095.07
Supplies	1,234.13		1,234.13
Cost of Sales-Purchased Food	51,336.19		51,336.19
Cost of Sales-Donated Food	10,781.67		10,781.67
Depreciation-Local Funds	1,342.44		1,342.44
Total Operating Expenses	<u>160,316.12</u>	<u>987.52</u>	<u>161,303.64</u>
Operating Income (Loss)	<u>(80,467.52)</u>	<u>4,342.48</u>	<u>(76,125.04)</u>
Nonoperating Revenue (Expense):			
State Sources:			
Cash Reimbursements	1,005.68		1,005.68
Federal Sources:			
Cash Reimbursements	61,710.82		61,710.82
Donated Food	12,618.13		12,618.13
Total Nonoperating Revenue (Expense)	<u>75,334.63</u>		<u>75,334.63</u>
Change in Net Position	(5,132.89)	4,342.48	(790.41)
Net Position - Beginning	<u>34,268.49</u>	<u>508.25</u>	<u>34,776.74</u>
NET POSITION - ENDING	<u>\$ 29,135.60</u>	<u>\$ 4,850.73</u>	<u>\$ 33,986.33</u>

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

**ELKTON SCHOOL DISTRICT NO. 5-3
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Enterprise Funds		
	Food Service	Other	Total
	Fund	Enterprise Fund	
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 81,425.37	\$ 5,330.00	\$ 86,755.37
Payments to Suppliers	(56,798.35)	(987.52)	(57,785.87)
Payments to Employees	<u>(91,510.93)</u>	<u>(3,955.02)</u>	<u>(95,465.95)</u>
Net Cash Provided (Used) by Operating Activities	<u>(66,883.91)</u>	<u>387.46</u>	<u>(66,496.45)</u>
 Cash Flows from Noncapital Financing Activities:			
Operating Subsidies	<u>62,716.50</u>	<u> </u>	<u>62,716.50</u>
 Cash Flows from Capital Financing Activities:			
Purchase of Capital Assets	<u>(1,075.38)</u>	<u> </u>	<u>(1,075.38)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (5,242.79)</u>	<u>\$ 387.46</u>	<u>\$ (4,855.33)</u>
 Cash and Cash Equivalents at Beginning of Year	\$ 33,513.15	\$ 4,463.27	\$ 37,976.42
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>28,270.36</u>	<u>4,850.73</u>	<u>33,121.09</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (5,242.79)</u>	<u>\$ 387.46</u>	<u>\$ (4,855.33)</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (80,467.52)	\$ 4,342.48	\$(76,125.04)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	1,342.44		1,342.44
Value of Commodities Used	10,781.67		10,781.67
Change in Assets and Liabilities:			
Inventories	(754.37)		(754.37)
Contracts and Payroll Liabilities Payable	637.10	(3,955.02)	(3,317.92)
Deposits Payable	<u>1,576.77</u>	<u> </u>	<u>1,576.77</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (66,883.91)</u>	<u>\$ 387.46</u>	<u>\$(66,496.45)</u>
 Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	\$ 12,618.13		

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

**ELKTON SCHOOL DISTRICT NO. 5-3
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	<u>Agency Funds</u>
ASSETS:	
Cash and Cash Equivalents	\$ 84,114.31
Accounts Receivable	<u>173.71</u>
 TOTAL ASSETS	 <u>84,288.02</u>
 LIABILITIES:	
Accounts Payable	2,000.00
Amounts Held for Others	<u>82,288.02</u>
 Total Liabilities	 <u>\$ 84,288.02</u>

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

ELKTON SCHOOL DISTRICT NO. 5-3
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity

The reporting entity of Elkton School District No. 5-3 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.

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

b. Basis of Presentation

Government-wide Financial Statements:

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

The Statement of Net Position reports all financial and capital resources in a net position form (assets and deferred outflows minus liabilities and deferred inflows equal net position). Net position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows, liabilities, deferred inflows, fund equity,

revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

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

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

Governmental Funds:

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

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.

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

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

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

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

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

Proprietary Funds:

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

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

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

Other Enterprise Fund - A fund used to record financial transactions related to the drivers' education program. This fund is financed by user charges. This is a major fund.

Fiduciary Funds:

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

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

c. Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Elkton School District No. 5-3, the length of that cycle is 60 days. The revenues that were accrued at June 30, 2015 are amounts due mainly from other governments for grants and tuition.

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

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

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

d. Deposits and Investments:

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

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

e. Capital Assets

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

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

Government-wide Statements:

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

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

The total June 30, 2015 balance of capital assets for governmental activities includes .80% for which the costs were determined by estimates of the original costs. The total June 30, 2015 balance of capital assets for business-type activities are all valued at the original cost.

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

Land	All	NA	NA
Improvements	\$ 5,000	Straight Line	10 years
Buildings	5,000	Straight Line	50-99 years
Machinery and Equipment	5,000	Straight Line	5-20 years
Vehicles	4,000	Straight Line	5-10 years
Food Service Machinery and Equipment	500	Straight Line	12 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

f. Long-Term Liabilities:

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

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

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

g. Program Revenues

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

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

h. Proprietary Funds Revenue and Expense Classifications:

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

i. Deferred Inflows and Deferred Outflows of Resources:

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

j. Cash and Cash Equivalents

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

k. Equity Classifications

Government-wide Statements:

Equity is classified as net position and is displayed in three components

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

Fund Financial Statements:

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

l. 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.

m. Fund Balance Classification Policies and Procedures:

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

1. Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
2. Restricted – includes fund balance amounts that are constrained for a specific purpose which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
3. 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.
4. Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the School Board or a committed delegated that authority by a Board Motion or Board Policy.
5. Unassigned – includes positive fund balance within the general fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

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

A schedule of fund balances is provided as follows:

**ELKTON SCHOOL DISTRICT NO. 5-3
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:						
<i>Nonspendable:</i>						
Inventory	\$ 20,043.00					\$ 20,043.00
<i>Restricted for:</i>						
Capital Outlay		1,019,904.59				1,019,904.59
Special Education			35,654.80			35,654.80
Pension				93,851.90		93,851.90
Bond Redemption					540,602.15	540,602.15
<i>Unassigned</i>	<u>421,505.40</u>					<u>421,505.40</u>
Total Fund Balances	<u>\$ 441,548.40</u>	<u>\$ 1,019,904.59</u>	<u>\$ 35,654.80</u>	<u>\$ 93,851.90</u>	<u>\$ 540,602.15</u>	<u>\$ 2,131,561.84</u>

n. Pensions

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

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

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

Deposits - The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that

bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments – In general, SDCL 4-5-6 permits school funds to be invested 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 that 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.

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.

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.

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

NOTE 3 – RESTRICTED CASH AND INVESTMENTS

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

\$ 313,148.11 For Debt Service, by debt covenants
(sinking funds required to be in a separate account)

NOTE 4 – RECEIVABLES AND PAYABLES

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

NOTE 5 - INVENTORY

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

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

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

NOTE 6 - PROPERTY TAXES

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as 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."

NOTE 7 - CHANGES IN CAPITAL ASSETS

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

Primary Government:

	Balance 6/30/2014	Increases	Decreases	Balance 6/30/2015
Capital Assets, not depreciated:				
Land	\$ 33,445.00	\$	\$	\$ 33,445.00
Construction in Progress	235,995.00		235,995.00	
	<u>269,440.00</u>		<u>235,995.00</u>	<u>33,445.00</u>
Capital Assets, being depreciated:				
Buildings	5,693,945.45	15,069.26		5,709,014.71
Improvements	2,606,995.45	1,136,689.00		3,743,684.45
Library Books	88,989.41	1,200.31		90,189.72
Machinery and Equipment	1,247,977.58	11,564.02		1,259,541.60
Totals	<u>9,637,907.89</u>	<u>1,164,522.59</u>		<u>10,802,430.48</u>
Less Accumulated Depreciation:				
Buildings	1,305,081.00	60,795.33		1,365,876.33
Improvements	606,499.00	171,333.74		777,832.74
Library Books	75,070.56	6,006.64		81,077.20
Machinery and Equipment	731,946.23	57,700.92		789,647.15
Totals	<u>2,718,596.79</u>	<u>295,836.63</u>		<u>3,014,433.42</u>
Capital Assets being depreciated, net	<u>6,919,311.10</u>	<u>868,685.96</u>		<u>7,787,997.06</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 7,188,751.10</u>	<u>\$ 868,685.96</u>	<u>\$ 235,995.00</u>	<u>\$ 7,821,442.06</u>

Depreciation of all exhaustible capital assets is recorded as an unallocated expense in the government-wide statement of activities:

Instruction	\$ 176,377.80
Support Services	37,748.74
Co-Curricular Activities	<u>81,710.09</u>
Total depreciation expense - governmental activities	<u>\$ 295,836.63</u>

	Balance 6/30/2014	Increase	Decrease	Balance 6/30/2015
Business-type Activity:				
Capital Assets, being depreciated:				
Machinery and Equipment	\$ 83,794.75	\$ 1,075.38	\$	\$ 84,870.13
Less Accumulated Depreciation:				
Machinery and Equipment	(73,026.18)	(1,342.44)		(74,368.62)
Total Business-type Activity, net	<u>\$ 10,768.57</u>	<u>\$ (267.06)</u>	<u>\$ 0.00</u>	<u>\$ 10,501.51</u>

Depreciation expense was charged to functions as follows:

Business-type Activity	
Food Service	<u>\$ 1,342.44</u>

NOTE 8 – LONG-TERM LIABILITIES

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

	Capital Outlay Certificates	General Obligation Bonds	Capital Outlay QSCB	Capital Energy Loan	Early Retirement Benefits Payable	Other Post- Employment Benefits	Totals
Primary Government							
Governmental Activities:							
Liabilities Payable,							
June 30, 2014	\$ 1,465,000	\$ 245,000	\$ 1,326,531	\$	\$ 35,950	\$ 49,442	\$ 3,121,923
New Additions				350,000	20,100	13,518	383,618
Retired Amounts	(255,000)	(85,000)			(9,600)	(1,057)	(350,657)
Liabilities Payable,							
June 30, 2015	<u>\$ 1,210,000</u>	<u>\$ 160,000</u>	<u>\$ 1,326,531</u>	<u>\$ 350,000</u>	<u>\$ 46,450</u>	<u>\$ 61,903</u>	<u>\$ 3,154,884</u>
Due Within One Year	<u>\$ 250,000</u>	<u>\$ 80,000</u>	<u>\$ 78,031</u>	<u>\$ 43,750</u>	<u>\$ 14,550</u>	<u>\$</u>	<u>\$ 466,331</u>

Early Retirement Benefits for governmental activities typically have been liquidated from the Pension Fund. Other post-employment benefits for governmental activities typically have been liquidated from the General Fund.

Liabilities payable at June 30, 2014 are comprised of the following:

Capital Outlay Certificates

Series 2011 Capital Outlay Certificates, interest rates from .75% to 1.9% depending on length to maturity, final maturity payment January 1, 2018.

Payable from Capital Outlay Fund \$ 340,000.00

Series 2014 Capital Outlay Certificates, interest rates from .45% to 2.05% depending on length to maturity, final maturity payment January 1, 2021.

Payable from Capital Outlay Fund 870,000.00

General Obligation Bonds:

Series 2011 Refunding Bonds, interest rates from .8% to 1.7% depending on length to maturity, final maturity payment July 15, 2016.

Payable from Bond Redemption Fund 160,000.00

Qualified School Construction Bonds:

Series 2010, dated November 17, 2010. Interest rate of 5.32%. Interest paid semi-annually. Payments from the Capital Outlay Fund.

Sinking fund required for payment in 2027. 1,326,531.00

Energy Efficient School Loan:

Issued by the Governor's Office of Economic Development June 30, 2015

The first loan payment is due July 31, 2016, payments made annually until

July 31, 2023. Payable from the Capital Outlay Fund 350,000.00

Early Retirement Benefits:

Payments to teachers who have chosen to participate in the district's early retirement program. Payable from the Pension Fund

46,450.00

Other Postemployment Benefits:

Obligation to individuals are retired or will retire from the School District and will receive postemployment benefits. Payments are made from the General Fund

61,903.00

The annual debt service requirements to maturity for all debt outstanding, other than postemployment benefits and early retirement, as of June 30, 2015 are as follows:

Year End June 30,	Capital Outlay Certificates		G.O. Bonds Payable		QSCB Bonds Payable		Energy Loan	Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2016	\$ 250,000	\$ 16,595	\$ 80,000	\$ 1,900	\$ 78,031	\$ 70,571	\$ 43,750	\$ 451,781	\$ 89,066
2017	255,000	14,220	80,000	680	78,031	70,571	43,750	456,781	85,471
2018	265,000	11,010			78,031	70,571	43,750	386,781	81,581
2019	145,000	6,772			78,031	70,571	43,750	266,781	77,343
2020	145,000	4,380			78,031	70,571	43,750	266,781	74,951
2021-25	150,000	1,538			390,156	352,857	131,250	671,406	354,395
2026-30					546,220	141,145		546,220	141,145
Totals	<u>\$ 1,210,000</u>	<u>\$ 54,515</u>	<u>\$ 160,000</u>	<u>\$ 2,580</u>	<u>\$ 1,326,531</u>	<u>\$ 846,857</u>	<u>\$ 350,000</u>	<u>\$ 3,046,531</u>	<u>\$ 903,952</u>

NOTE 9 – OPERATING LEASES

The School District leases copiers and printers on an operating lease. Payments are made from the Capital Outlay Fund. The required minimum future payments are as follows:

2016 \$ 9,504.00

NOTE 10 - RESTRICTED NET POSITION

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

<u>Major Purposes</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay Purposes	Law	\$ 1,020,134.49
Pension Purposes	Law	47,424.96
Special Education Purposes	Law	35,775.10
SDRS Pension Purposes	Law	506,061.25
Debt Service Purposes	Debt Covenants	540,604.50
Total Restricted Net Position		<u>\$ 2,150,000.30</u>

NOTE 11 – INTERFUND TRANSFERS

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

<u>Transfer From:</u>	<u>Transfer To :</u>	
	<u>Governmental Activities</u>	
	<u>General Fund</u>	<u>Bond Redemption</u>
<u>Governmental Activities</u>		
Capital Outlay Fund	\$ 1,412.91	\$ 78,031.24
Bond Redemption Fund	244.16	
Pension Fund	133.46	
Totals	<u>\$ 1,790.53</u>	<u>\$ 78,031.24</u>

The School District typically uses transfers to transfer earnings on deposits and investments to the general fund.

The Capital Outlay Fund transferred monies to the Bond Redemption Fund to fund the sinking fund payment requirements on the QSCB Bonds.

NOTE 12 – PENSION PLAN

Plan Information:

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

Benefits Provided:

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2015, 2014, and 2013 were \$105,187.90, \$100,793.08, and \$99,786.00, respectively, equal to the required contributions each year.

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

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

Proportionate share of net position restricted for pension benefits	\$ 10,189,977.50
Less proportionate share of total pension assets	<u>9,497,879.99</u>
Proportionate share of net pension asset	<u><u>\$ 692,097.51</u></u>

At June 30 2015, the School District reported an asset of \$692,097.51 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014 and the total pension asset used to calculate the net pension asset was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2014, the School District's proportion was .0960634%, which is an increase of .0960634% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension revenue of \$29,233.94. At June 30, 2015 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 58,560.81	\$
Changes in assumption	451,780.62	
Net difference between projected and actual earnings on pension plan investments		801,565.59
District contributions subsequent to the measurement date	<u>105,187.90</u>	
TOTAL	<u><u>\$ 615,529.33</u></u>	<u><u>\$ 801,565.59</u></u>

\$105,187.90 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:	
2015	\$ (54,994.98)
2016	(54,994.98)
2017	(54,994.98)
2018	<u>(126,239.23)</u>
TOTAL	<u><u>\$ (291,224.16)</u></u>

Actuarial Assumptions:

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

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

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the

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

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

Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 683,922.52	\$ (692,097.51)	\$ (1,814,385.47)

Pension Plan Fiduciary Net Position:

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

NOTE 13 - JOINT VENTURES

The school district participates in the Northeast Educational Cooperative, a cooperative service unit (co-op) formed for the purpose of providing appropriate educational support services for all children,

and to offer, on a cooperative fee assessment basis, services that the districts would not be able to provide as effectively, or as economically acting alone, to the member school districts.

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

<u>School District</u>	<u>%</u>
Arlington	3.93
Britton-Hecla	6.77
Castlewood	3.67
Clark	5.07
De Smet	4.39
Deubrook	4.81
Deuel	6.85
Elkton	4.42
Enemy Swim	2.42
Estelline	3.57
Florence	2.88
Grant-Deuel	1.47
Hamlin	9.97
Henry	2.40
Iroquois	3.03
Lake Preston	2.29
Rosholt	2.93
Sioux Valley	8.09
Summit	2.28
Waubay	2.33
Waverly	2.97
Webster	7.42
Willow Lake	3.15
Wilmot	2.89

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

At June 30, 2015, this joint venture had total assets of \$1,340,988.68, total liabilities of \$413,186.81, and net position of \$869,673.76.

NOTE 14 – EARLY RETIREMENT PLAN

The district maintains an early retirement plan for certified teachers and administrators. The plan is available to employees who choose early retirement between ages 55-61 and have at least 15 years of continuous service with the district. Under the plan, the district will pay an amount equal to \$250 per month for every month biannually until the employee reaches the age of 63 to 65 depending on the year they retire. The district uses the expected future benefit payment amounts as the method for disclosure. During fiscal year 2015, three employees participated in the early retirement plan. The

amount paid for such benefits during the year was \$9,600. For fiscal year 2016, five employees will be paid a total of \$14,550.

NOTE 15 – POSTEMPLOYMENT MEDICAL PLAN

Plan Description: Elkton School District has a single-employer defined benefit medical plan administered by Sanford Health of South Dakota. This plan provides medical insurance benefits to eligible current employees, as well as retirees meeting eligibility requirements. After eligibility for retiree benefits is established, retirees must pay premiums until they are eligible for Medicare. The liability exists because of an implicit subsidy of costs of the benefits to retirees of the district. The Sanford Health Plan issues an actuarial report that includes required supplementary information. That report may be obtained by writing to the Elkton School District, 508 Buffalo St, Elkton, SD 57026, or by calling (605) 542-2541.

Funding Policy: The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2015, plan members receiving benefits contributed 100 percent of the total premiums.

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

Annual required contribution	\$ 14,484
Interest on net OPEB obligation	1,483
Adjustment to annual required contribution	<u>(2,449)</u>
Annual OPEB cost (expense)	13,518
Contributions made	<u>(1,057)</u>
Increase in net OPEB obligation	12,461
Net OPEB obligation - beginning of year	<u>49,442</u>
Net OPEB obligation - end of year	<u><u>\$ 61,903</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 12,603	57.28%	\$ 41,393
6/30/2014	12,772	36.98%	49,442
6/30/2015	13,518	7.82%	61,903

Funded Status and Funding Progress: As of June 30, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$106,009 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$106,009.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined

regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the June 30, 2015 actuarial valuation, the unit credit actuarial cost method (with attribution through all years of employment) was used to allocate the costs of benefits to years of active service. The objective under this method is to expense each participant's benefit under the plan proportional to the services rendered. At the time the funding method is introduced there will be a liability, which represents the contributions which would have accumulated if this method of funding had always been used (called Actuarial Liability). The difference between this actuarial liability and the assets, if any, is the unfunded actuarial liability, which is typically amortized over a period of years. The maximum permissible under GASB 45 is 30 years.

NOTE 16 - RISK MANAGEMENT

The school district is exposed to various risks of loss related to tort; 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:

Liability Insurance

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

Worker's Compensation

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

Unemployment Benefits

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

NOTE 17 – SIGNIFICANT CONTINGENCIES – LITIGATION

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

NOTE 18 – PRIOR PERIOD ADJUSTMENT

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

Net Position July 1, 2014, as previously reported	\$ 130,027.03
Restatement for pension accounting:	
Net Pension Asset	270,846.32
Pension related Deferred Outflows of Resources	<u>105,187.90</u>
Net Position July 1, 2014, as restated	<u>\$ 506,061.25</u>

**REQUIRED SUPPLEMENTARY INFORMATION
ELKTON SCHOOL DISTRICT NO. 5-3
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,121,540.00	\$ 1,121,540.00	\$ 1,009,287.43	\$ (112,252.57)
Prior Years' Ad Valorem Taxes	6,000.00	6,000.00	757.46	(5,242.54)
Utility Taxes	120,110.00	120,110.00	35,594.55	(84,515.45)
Penalties and Interest on Taxes	3,000.00	3,000.00	1,939.50	(1,060.50)
Tuition and Fees:				
Regular Day School Tuition	390,000.00	390,000.00	304,444.29	(85,555.71)
Transportation Fees	7,200.00	7,200.00	6,300.00	(900.00)
Earnings on Investments/ Deposits	3,500.00	3,500.00	549.96	(2,950.04)
Cocurricular Activities:				
Admissions	25,000.00	25,000.00	31,784.45	6,784.45
Other Pupil Activity Income	3,000.00	3,000.00	2,423.79	(576.21)
Other Revenue from Local Sources:				
Rentals	600.00	600.00		(600.00)
Contributions and Donations	600.00	600.00	240.00	(360.00)
Services Provided Other LEAs	12,000.00	12,000.00	10,600.00	(1,400.00)
Medicaid Indirect Administrative Ser	16,000.00	16,000.00	4,300.14	(11,699.86)
Other	12,500.00	12,500.00	25,901.68	13,401.68
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	31,000.00	31,000.00	28,022.85	(2,977.15)
Revenue in Lieu of Taxes	3,500.00	3,500.00	4,470.92	970.92
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	714,842.00	714,842.00	632,990.16	(81,851.84)
Restricted Grants-in-Aid			7,000.00	7,000.00
Other State Revenue	2,000.00	2,000.00	1,100.00	(900.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	75,500.00	75,500.00	86,019.00	10,519.00
Total Revenue	<u>2,547,892.00</u>	<u>2,547,892.00</u>	<u>2,193,726.18</u>	<u>(354,165.82)</u>

**REQUIRED SUPPLEMENTARY INFORMATION
ELKTON SCHOOL DISTRICT NO. 5-3
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Instruction:				
Regular Programs:				
Elementary School	568,378.00	596,452.00	592,216.75	4,235.25
Middle/Junior High School	184,603.00	184,603.00	165,952.78	18,650.22
High School	505,799.00	510,259.00	505,323.84	4,935.16
Preschool Services	48,788.00	48,883.00	48,882.82	0.18
Special Programs:				
Educationally Deprived	96,510.00	96,510.00	92,533.84	3,976.16
Support Services-Pupils:				
Guidance	51,699.00	51,699.00	50,383.80	1,315.20
Health	15,216.00	15,216.00	14,158.81	1,057.19
Support Services - Instructional Staff:				
Improvement of Instruction	1,500.00	7,000.00	7,000.00	
Educational Media	79,810.00	79,810.00	74,110.42	5,699.58
Support Services - General Administration:				
Board of Education	67,245.00	67,245.00	15,897.45	51,347.55
Executive Administration	171,038.00	178,105.00	178,103.48	1.52
Support Services - School Administration:				
Office of the Principal	129,698.00	132,868.00	132,867.71	0.29
Other	800.00	800.00	113.92	686.08
Support Services - Business:				
Fiscal Services	69,692.00	69,692.00	64,290.74	5,401.26
Operation and Maintenance of Plant	279,193.00	279,193.00	168,266.05	110,926.95
Pupil Transportation	145,686.00	145,686.00	110,439.83	35,246.17
Cocurricular Activities:				
Male Activities	39,268.00	39,720.00	39,719.58	0.42
Female Activities	34,656.00	39,817.00	39,816.71	0.29
Transportation	16,015.00	16,015.00	12,239.96	3,775.04
Combined Activities	47,298.00	47,298.00	41,801.80	5,496.20
Total Expenditures	<u>2,552,892.00</u>	<u>2,606,871.00</u>	<u>2,354,120.29</u>	<u>252,750.71</u>
Excess of Revenue Over (Under)				
Expenditures	(5,000.00)	(58,979.00)	(160,394.11)	(101,415.11)
Other Financing Sources:				
Transfer In	<u>5,000.00</u>	<u>5,000.00</u>	<u>1,790.53</u>	<u>(3,209.47)</u>
Net Change in Fund Balances	0.00	(53,979.00)	(158,603.58)	(104,624.58)
Beginning Fund Balance	<u>600,151.98</u>	<u>600,151.98</u>	<u>600,151.98</u>	
ENDING FUND BALANCE	<u>\$ 600,151.98</u>	<u>\$ 546,172.98</u>	<u>\$ 441,548.40</u>	<u>\$ (104,624.58)</u>

**REQUIRED SUPPLEMENTARY INFORMATION
ELKTON SCHOOL DISTRICT NO. 5-3
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 602,000.00	\$ 602,000.00	\$ 740,888.25	\$ 138,888.25
Prior Years' Ad Valorem Taxes	2,000.00	2,000.00	306.48	(1,693.52)
Penalties and Interest on Taxes	500.00	500.00	621.80	121.80
Earnings on Investments	1,000.00	1,000.00	1,412.91	412.91
Revenue in Lieu of Taxes			543.93	543.93
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Through State			5,403.00	5,403.00
Other Federal Revenue	35,000.00	35,000.00	65,672.36	30,672.36
Total Revenue	<u>640,500.00</u>	<u>640,500.00</u>	<u>825,848.73</u>	<u>185,348.73</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	38,000.00	38,000.00	27,925.75	10,074.25
Middle School	12,800.00	12,800.00	3,843.56	8,956.44
High School	38,500.00	38,500.00	31,015.41	7,484.59
Support Services - Instructional Staff:				
Educational Media	36,050.00	36,050.00	22,351.49	13,698.51
Support Services - General Administration:				
Board of Education	400.00	48,898.00	48,498.00	400.00
Executive Administration	6,000.00	6,000.00	4,742.25	1,257.75
Support Services - School Administration:				
Office of the Principal	6,000.00	6,000.00	4,957.26	1,042.74
Support Services - Business:				
Fiscal Services	11,200.00	11,230.00	11,225.66	4.34
Facility Acquisition & Construction	1,002,000.00	1,002,000.00	912,289.68	89,710.32
Operation and Maintenance of Plant	35,000.00	129,493.00	103,310.64	26,182.36
Pupil Transportation	20,000.00	20,000.00		20,000.00
Debt Services	270,554.00	421,296.00	343,264.35	78,031.65
Cocurricular Activities:				
Male Activities	6,000.00	6,000.00	799.85	5,200.15
Female Activities	5,000.00	5,000.00	2,247.00	2,753.00
Combined Activities	18,000.00	18,000.00		18,000.00
Total Expenditures	<u>1,505,504.00</u>	<u>1,799,267.00</u>	<u>1,516,470.90</u>	<u>282,796.10</u>

REQUIRED SUPPLEMENTARY INFORMATION
ELKTON SCHOOL DISTRICT NO. 5-3
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Excess of Revenue Over (Under) Expenditures	(865,004.00)	(1,158,767.00)	(690,622.17)	468,144.83
Other Financing Sources (Uses):				
Transfer Out			(79,444.15)	(79,444.15)
Proceeds of Long Term Debt	<u>350,000.00</u>	<u>350,000.00</u>	<u>350,000.00</u>	<u> </u>
Total Other Financing Sources (Uses)	<u>350,000.00</u>	<u>350,000.00</u>	<u>270,555.85</u>	<u>(79,444.15)</u>
Net Change in Fund Balance	(515,004.00)	(808,767.00)	(420,066.32)	388,700.68
Beginning Fund Balance	<u>1,439,970.91</u>	<u>1,439,970.91</u>	<u>1,439,970.91</u>	<u> </u>
ENDING FUND BALANCE	<u>\$ 924,966.91</u>	<u>\$ 631,203.91</u>	<u>\$ 1,019,904.59</u>	<u>\$ 388,700.68</u>

REQUIRED SUPPLEMENTARY INFORMATION
ELKTON SCHOOL DISTRICT NO. 5-3
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u> <u>Basis)</u>	<u>Positive</u> <u>(Negative)</u>
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 373,600.00	\$ 373,600.00	\$ 392,156.23	\$ 18,556.23
Prior Years' Ad Valorem Taxes	2,000.00	2,000.00	152.86	(1,847.14)
Penalties and Interest on Taxes	600.00	600.00	324.50	(275.50)
Regular Day School Tuition	12,000.00	12,000.00	9,602.00	(2,398.00)
Revenue from Local Sources:				
Charges for Services	17,000.00	17,000.00	8,082.31	(8,917.69)
Revenue from Intermediate Sources:				
Revenue in Lieu of Taxes			290.81	290.81
Revenue from State Sources:				
Restricted Grant in Aid	92,990.00	92,990.00		(92,990.00)
Total Revenue	<u>498,190.00</u>	<u>498,190.00</u>	<u>410,608.71</u>	<u>(87,581.29)</u>
Expenditures:				
Special Programs:				
Programs for Special Education	374,995.00	374,995.00	326,576.50	48,418.50
Support Services:				
Pupils:				
Guidance	615.00	615.00	468.00	147.00
Health	43,750.00	43,750.00	41,861.76	1,888.24
Psychological	10,345.00	10,345.00	7,502.52	2,842.48
Speech Pathology	18,920.00	18,920.00	15,529.01	3,390.99
Student Therapy Services	14,810.00	14,810.00	11,377.80	3,432.20
Support Services - Special Education:				
Administrative Costs	30,405.00	30,405.00		30,405.00
Transportation Costs	2,150.00	2,150.00		2,150.00
Other Special Education Costs	2,200.00	2,200.00		2,200.00
Total Expenditures	<u>498,190.00</u>	<u>498,190.00</u>	<u>403,315.59</u>	<u>94,874.41</u>
Net Change in Fund Balance	0.00	0.00	7,293.12	7,293.12
Beginning Fund Balance	<u>28,361.68</u>	<u>28,361.68</u>	<u>28,361.68</u>	
ENDING FUND BALANCE	<u>\$ 28,361.68</u>	<u>\$ 28,361.68</u>	<u>\$ 35,654.80</u>	<u>\$ 7,293.12</u>

**REQUIRED SUPPLEMENTARY INFORMATION
ELKTON SCHOOL DISTRICT NO. 5-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
PENSION FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 80,300.00	\$ 80,300.00	\$ 74,171.56	\$ (6,128.44)
Prior Years' Ad Valorem Taxes	500.00	500.00	30.66	(469.34)
Penalties and Interest on Taxes	150.00	150.00	62.21	(87.79)
Earnings on Investments	300.00	300.00	133.46	(166.54)
Revenue from Intermediate Sources:				
County Sources:				
Revenue in Lieu of Taxes	<u>485.00</u>	<u>485.00</u>	<u>53.85</u>	<u>(431.15)</u>
Total Revenue	<u>81,735.00</u>	<u>81,735.00</u>	<u>74,451.74</u>	<u>(7,283.26)</u>
Expenditures:				
Instruction:				
Regular Program:				
Elementary	24,000.00	27,485.00	27,484.64	0.36
Middle/Junior High	8,000.00	8,353.00	8,352.84	0.16
High School	24,000.00	37,504.00	37,503.03	0.97
Preschool	2,100.00	2,100.00	2,000.00	100.00
Support Services:				
Pupils:				
Guidance	2,200.00	2,224.00	2,223.01	0.99
Health	610.00	610.00	608.98	1.02
Support Services - Instructional Staff:				
Educational Media	3,000.00	3,000.00	2,921.17	78.83
Support Services - General Administration:				
Executive Administration	6,500.00	6,895.00	6,894.00	1.00
Support Services - School Administration:				
Office of the Principal	5,500.00	5,500.00	5,314.56	185.44
Support Services - Business:				
Fiscal Services	3,000.00	3,000.00	2,964.00	36.00
Operation and Maintenance	4,800.00	4,800.00	4,421.55	378.45
Pupil Transportation	800.00	800.00	772.14	27.86
Nonprogrammed Charges:				
Early Retirement Payments	9,600.00	13,290.00	9,690.00	3,600.00
Cocurricular Activities:				
Male Activities	950.00	950.00	950.00	
Female Activities	800.00	800.00	800.00	
Transportation	375.00	375.00	375.00	
Combined Activities	<u>1,500.00</u>	<u>1,500.00</u>	<u>1,500.00</u>	
Total Expenditures	<u>97,735.00</u>	<u>119,186.00</u>	<u>114,774.92</u>	<u>4,411.08</u>
Excess of Revenue Over (Under)				
Expenditures	(16,000.00)	(37,451.00)	(40,323.18)	(2,872.18)
Other Financing Sources (Uses):				
Transfer Out			(133.46)	(133.46)
Net Change in Fund Balance	(16,000.00)	(37,451.00)	(40,456.64)	(3,005.64)
Beginning Fund Balance	<u>134,308.54</u>	<u>134,308.54</u>	<u>134,308.54</u>	
ENDING FUND BALANCE	<u>\$ 118,308.54</u>	<u>\$ 96,857.54</u>	<u>\$ 93,851.90</u>	<u>\$ (3,005.64)</u>

REQUIRED SUPPLEMENTARY INFORMATION
ELKTON SCHOOL DISTRICT NO. 5-3
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AL) - Unit Credit (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)
6/30/2009	\$ 0	\$ 167,754	\$ 167,754	0.0%
6/30/2012	0	97,612	97,612	0.0%
6/30/2015	0	106,009	106,009	0.0%

Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
\$ 1,735,574.72	9.67%
1,432,266.97	6.82%
1,630,314.39	6.50%

Schedule of Required Supplementary Information
ELKTON SCHOOL DISTRICT NO. 5-3
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY (ASSET)
South Dakota Retirement System

	2015
District's proportion of the net pension liability (asset)	0.0960634%
District's proportionate share of net pension liability (asset)	\$ (692,098)
District's covered-employee payroll	\$ 1,679,879
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.3%

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

Schedule of Required Supplementary Information
ELKTON SCHOOL DISTRICT NO. 5-3
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS
South Dakota Retirement System

	<u>2014</u>	<u>2015</u>
Contractually required contribution	<u>\$ 100,793</u>	<u>\$ 105,188</u>
Contributions in relation to the contractually required contribution	<u>\$ 100,793</u>	<u>\$ 105,188</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>
District's covered-employee payroll	\$1,679,879	\$1,753,127
Contributions as a percentage of covered-employee payroll	6.00%	6.00%

ELKTON SCHOOL DISTRICT NO. 5-3
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget

NOTE 1 - BUDGET AND BUDGETARY ACCOUNTING

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

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

NOTE 2- GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

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

QUAM & BERGLIN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
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ELK POINT, SOUTH DAKOTA 57025

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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
Elkton School District No. 5-3
Brookings County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Elkton School District No. 5-3, Brookings County, South Dakota, as of June 30, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise Elkton School District's basic financial statements and have issued our report thereon dated February 22, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Elkton 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 Elkton School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Elkton School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Current Audit Findings as item 2015-001 to be a significant deficiency.

Compliance and Other Matters

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

School District's Response to Findings

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

Purpose of this Report

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

Quam & Berglin, P.C.

Quam and Berglin, P.C.
Certified Public Accountants

February 22, 2016

**ELKTON SCHOOL DISTRICT NO. 5-3
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
JUNE 30, 2015**

PRIOR AUDIT FINDINGS:

Audit Finding Number 2014-001:

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

CURRENT AUDIT FINDINGS:

Internal Control-Related Finding-Significant Deficiency:

Audit Finding Number 2015-001: There is a significant deficiency resulting from the lack of segregation of duties for revenues.

Criteria:

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

Condition, Cause and Effect:

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

Recommendation:

We recommend that Elkton School District officials be cognizant of this lack of segregation of duties and attempt to provide compensating controls whenever, and wherever, practical.

Corrective Action Plan:

The Board of Directors has prepared a response to this finding, shown on page 60.

Elkton School District

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Superintendent
Brian Jandahl
Brian.Jandahl@k12.sd.us

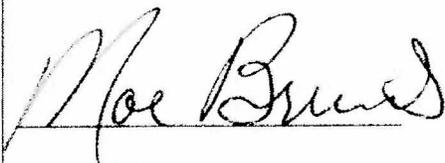
K-12 Principal
Kelly Neill
Kelly.Neill@k12.sd.us

Business Manager
Moe Bruns
Moe.Bruns@k12.sd.us

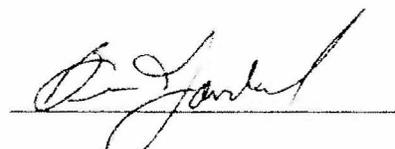
CORRECTIVE PLAN OF ACTION JUNE 30, 2015

Elkton School District No. 5-3 has considered the lack of segregation of duties for the revenues function. At this time it is not cost effective for Elkton School District to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by Elkton School District to decrease the likelihood that financial data is adversely affected.

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



Business Manager



Superintendent

The Elkton School District #5-3 does not discriminate in its employment policies and practices, or in its educational programs on the basis of race, color or creed, religion, age, sex, handicap, national origin or ancestry. Inquiries concerning the application of Title VI, Title IX, or Section 504, may be referred to Brian Jandahl, Superintendent, Elkton School, 508 Buffalo Street, Elkton, SD 57026, or to the Regional Director, Department of Education, Office of Civil Rights, 10220 North Executive Blvd., 8th Floor, Kansas City, MO 64153-1364