



Financial Statements
June 30, 2015 and 2014

Grant-Deuel School District 25-3

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The School Board
Grant-Deuel School District 25-3
Reville, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Grant-Deuel School District 25-3 (the School District) as of June 30, 2015 and for each of the years in the two year period 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

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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2015, and the respective changes in financial position and, where, applicable, cash flows thereof for each of years in the two year period then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the School District adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The School District has updated the current period reporting for this item as no retroactive restatement was necessary. Our opinions are not modified with respect to this matter.

As discussed in Notes 1 and 12 to the financial statements, the School District has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of July 1, 2014. In accordance with GASB Statement No. 68, the 2014 financial statements have not been restated to reflect this change. Our opinion is not modified with respect to this matter.

As discussed in Note 13 to the financial statements, certain errors in amounts previously reported for deferred inflows of resources, utility gross receipt taxes, property tax revenue, and fixed assets, net of accumulated depreciation as of June 30, 2013 were discovered by management of the School District during the year. Accordingly, adjustments have been made to the fund balance of the general fund, capital outlay fund, special education fund, pension fund, and net position of the governmental activities as of June 30, 2013 to correct these errors. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of funding progress, budgetary comparison schedules, schedule of net pension liability (asset), and schedule of pension contributions on pages 41-54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with managements responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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.

Management has omitted the management's discussion and analysis that the accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Reporting Required by *Government Auditing Standards*

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Aberdeen, South Dakota
April 15, 2016

Grant-Deuel School District 25-3
Statement of Net Position
June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,007,462	\$ 3,002	\$ 2,010,464
Taxes receivable	703,272	-	703,272
Accounts receivable	45,131	118	45,249
Inventories	-	4,011	4,011
Due from other funds	7,000	-	7,000
Net pension asset	309,777	32,285	342,062
Capital assets not being depreciated:			
Land	10,600	-	10,600
Construction in process	198,770	-	198,770
Capital assets, net of accumulated depreciation:			
Buildings	459,588	-	459,588
Machinery and equipment	177,979	3,972	181,951
Total assets	<u>3,919,579</u>	<u>43,388</u>	<u>3,962,967</u>
Deferred Outflows of Resources			
Pension related deferred outflows	272,583	28,107	300,690
	<u>\$ 4,192,162</u>	<u>\$ 71,495</u>	<u>\$ 4,263,657</u>
Liabilities			
Accounts payable	\$ 202,245	\$ -	\$ 202,245
Other current liabilities	67,413	25	67,438
Total liabilities	<u>269,658</u>	<u>25</u>	<u>269,683</u>
Deferred Inflows of Resources			
Pension related deferred inflows	358,772	37,393	396,165
Taxes levied for future period	773,120	-	773,120
Total deferred inflows of resources	<u>1,131,892</u>	<u>37,393</u>	<u>1,169,285</u>
Net Position			
Net investment in capital assets	846,937	3,972	850,909
Restricted for:			
Capital Outlay	952,854	-	952,854
Special Education	295,811	-	295,811
Pension Purposes	23,114	-	23,114
SDRS Pension Purposes	223,588	22,999	246,587
Unrestricted	448,308	7,106	455,414
Total net position	<u>2,790,612</u>	<u>34,077</u>	<u>2,824,689</u>
	<u>\$ 4,192,162</u>	<u>\$ 71,495</u>	<u>\$ 4,263,657</u>

Grant-Deuel School District 25-3
 Statements of Activities
 Years Ended June 30, 2015 and 2014

Functions/Programs	2015						
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government							
Governmental activities:							
Instruction	\$ 858,711	\$ 900	\$ 37,240	\$ -	\$ (820,571)	\$ -	\$ (820,571)
Support services	659,904	7,117	-	-	(652,787)	-	(652,787)
Cocurricular activities	45,446	1,634	-	-	(43,812)	-	(43,812)
Total governmental activities	<u>1,564,061</u>	<u>9,651</u>	<u>37,240</u>	<u>-</u>	<u>(1,517,170)</u>	<u>-</u>	<u>(1,517,170)</u>
Business-type activities:							
Food service	79,666	24,241	35,489	-	-	(19,936)	(19,936)
Preschool	34,305	12,525	-	-	-	(21,780)	(21,780)
Total business-type activities	<u>113,971</u>	<u>36,766</u>	<u>35,489</u>	<u>-</u>	<u>-</u>	<u>(41,716)</u>	<u>(41,716)</u>
	<u>\$ 1,678,032</u>	<u>\$ 46,417</u>	<u>\$ 72,729</u>	<u>\$ -</u>	<u>(1,517,170)</u>	<u>(41,716)</u>	<u>(1,558,886)</u>
General Revenues							
Property taxes					1,593,972	-	1,593,972
Gross receipts taxes					45,171	-	45,171
Revenue from State sources:							
State aid					206,418	-	206,418
Unrestricted investment earnings					3,611	-	3,611
Other general revenues					52,954		52,954
Transfers					(44,288)	44,288	-
Total general revenues					<u>1,857,838</u>	<u>44,288</u>	<u>1,902,126</u>
Change in Net Position					<u>340,668</u>	<u>2,572</u>	<u>343,240</u>
Net Position - Beginning, as Previously Stated					2,283,602	14,168	2,297,770
Change in Reporting, GASB 68 (See Note 12)					<u>166,342</u>	<u>17,337</u>	<u>183,679</u>
Net Position - Beginning, as Restated					<u>2,449,944</u>	<u>31,505</u>	<u>2,481,449</u>
Net Position - Ending					<u>\$ 2,790,612</u>	<u>\$ 34,077</u>	<u>\$ 2,824,689</u>

See Notes to Financial Statements

Grant-Deuel School District 25-3
Statements of Activities
Years Ended June 30, 2015 and 2014

Functions/Programs	2014						
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government							
Governmental activities:							
Instruction	\$ 890,964	\$ 22,292	\$ 40,483	\$ -	\$ (828,189)	\$ -	\$ (828,189)
Support services	701,403	13,875	-	-	(687,528)	-	(687,528)
Cocurricular activities	52,747	3,683	-	-	(49,064)	-	(49,064)
Total governmental activities	<u>1,645,114</u>	<u>39,850</u>	<u>40,483</u>	<u>-</u>	<u>(1,564,781)</u>	<u>-</u>	<u>(1,564,781)</u>
Business-type activities:							
Food service	103,286	39,400	37,968	-	-	(25,918)	(25,918)
Preschool	31,408	9,520	-	-	-	(21,888)	(21,888)
Total business-type activities	<u>134,694</u>	<u>48,920</u>	<u>37,968</u>	<u>-</u>	<u>-</u>	<u>(47,806)</u>	<u>(47,806)</u>
	<u>\$ 1,779,808</u>	<u>\$ 88,770</u>	<u>\$ 78,451</u>	<u>\$ -</u>	<u>(1,564,781)</u>	<u>(47,806)</u>	<u>(1,612,587)</u>
General Revenues							
Property taxes					1,523,549	-	1,523,549
Gross receipts taxes					43,242	-	43,242
Revenue from State sources:							
State aid					258,792	-	258,792
Unrestricted investment earnings					2,249	2	2,251
Other general revenues					41,186	-	41,186
Gain on sale of general fixed assets					610	-	610
Transfers					(40,000)	40,000	-
Total general revenues					<u>1,829,628</u>	<u>40,002</u>	<u>1,869,630</u>
Change in Net Position					<u>264,847</u>	<u>(7,804)</u>	<u>257,043</u>
Net Position - Beginning, as Previously Stated					2,122,444	21,972	2,144,416
Correction of errors (See Note 13)					(103,689)	-	(103,689)
Net Position - Beginning, as Restated					<u>2,018,755</u>	<u>21,972</u>	<u>2,040,727</u>
Net Position - Ending					<u>\$ 2,283,602</u>	<u>\$ 14,168</u>	<u>\$ 2,297,770</u>

See Notes to Financial Statements

Grant-Deuel School District 25-3
Balance Sheet – Governmental Funds
June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 498,786	\$ 1,179,141	\$ 316,287	\$ 13,248	\$ 2,007,462
Taxes receivable - current	313,630	225,152	131,938	26,222	696,942
Taxes receivable - delinquent	3,688	1,632	847	163	6,330
Due from other funds	-	-	526	12,694	13,220
Due from other governments	45,131	-	-	-	45,131
Advance payments	7,000	-	-	-	7,000
	<u>\$ 868,235</u>	<u>\$ 1,405,925</u>	<u>\$ 449,598</u>	<u>\$ 52,327</u>	<u>\$ 2,776,085</u>
Liabilities and Fund Balances					
Current Liabilities					
Accounts payable	\$ -	\$ 202,245	\$ -	\$ -	\$ 202,245
Contracts payable	52,167	-	5,211	-	57,378
Due to other funds	13,220	-	-	-	13,220
Payroll deductions and withholdings and employer matching payable	8,442	-	1,593	-	10,035
Total liabilities	<u>73,829</u>	<u>202,245</u>	<u>6,804</u>	<u>-</u>	<u>282,878</u>
Deferred Inflows of Resources					
Unavailable revenue - utility taxes	19,702	-	-	-	19,702
Unavailable revenue - delinquent property taxes	3,688	1,632	847	163	6,330
Taxes levied for a future period	346,098	250,826	146,983	29,213	773,120
Total deferred inflows of resources	<u>369,488</u>	<u>252,458</u>	<u>147,830</u>	<u>29,376</u>	<u>799,152</u>
Fund Balances					
Restricted for:					
Capital Outlay	-	951,222	-	-	951,222
Special Education	-	-	294,964	-	294,964
Pension	-	-	-	22,951	22,951
Unassigned	424,918	-	-	-	424,918
Total fund balances	<u>424,918</u>	<u>951,222</u>	<u>294,964</u>	<u>22,951</u>	<u>1,694,055</u>
	<u>\$ 868,235</u>	<u>\$ 1,405,925</u>	<u>\$ 449,598</u>	<u>\$ 52,327</u>	<u>\$ 2,776,085</u>

Grant-Deuel School District 25-3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Year Ended June 30, 2015

Total Fund Balances - Governmental Funds	\$ 1,694,055
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not current financial resources and; therefore, are not reported in the funds.	846,937
Assets such as taxes receivable (delinquent and utility) are not available to pay for current period expenditures and; therefore, are deferred in the funds.	26,032
Net pension asset, pension related deferred inflows of resources, and pension related deferred outflows of resources do not represent available financial resources and therefore are not reported in the funds.	<u>223,588</u>
Net Position - Governmental Funds	<u><u>\$ 2,790,612</u></u>

Grant-Deuel School District 25-3
 Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
 Years Ended June 30, 2015 and 2014

	2015				
	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Revenues					
Revenue from local sources					
Taxes:					
Ad valorem taxes	\$ 689,150	\$ 536,024	\$ 300,611	\$ 57,710	\$ 1,583,495
Prior year's ad valorem taxes	3,580	2,756	1,392	275	8,003
Gross receipts taxes	43,842	-	-	-	43,842
Penalties and interest on taxes	677	609	315	61	1,662
Tuition and fees:					
Regular day school tuition	900	-	-	-	900
Earnings on investments and deposits	3,611	-	-	-	3,611
Cocurricular activities:					
Admissions	760	-	-	-	760
Rentals	874	-	-	-	874
Other revenue from local sources:					
Charges for services	3,127	-	3,990	-	7,117
Other	28,664	60	300	-	29,024
Revenue from intermediate sources					
County sources:					
County apportionment	9,678	-	-	-	9,678
Revenue in lieu of taxes	449	438	236	44	1,167
Revenue from State sources					
Grants-in-aid:					
Unrestricted grants-in-aid	206,418	-	-	-	206,418
Restricted grants-in-aid	3,504	-	-	-	3,504
Revenue from Federal sources					
Grants-in-aid:					
Restricted grants-in-aid received from Federal government through the State	33,736	-	-	-	33,736
Total revenues	1,028,970	539,887	306,844	58,090	1,933,791
Expenditures					
Instruction					
Regular programs:					
Elementary	300,214	43,103	-	35,139	378,456
Middle/junior high	52,167	-	-	-	52,167
High school	242,597	20,139	-	-	262,736
Special programs:					
Programs for special education	-	-	145,690	-	145,690
Educationally deprived	33,406	-	-	-	33,406
Support services					
Pupils:					
Guidance	10,730	-	848	-	11,578
Health	312	-	-	-	312
Psychological	-	-	13,589	-	13,589
Speech pathology	-	-	26,117	-	26,117
Student therapy services	-	-	20,608	-	20,608
Support services - instructional staff:					
Improvement of instruction	4,223	-	-	-	4,223
Educational media	48,261	4,917	-	-	53,178
Support services - general administration:					
Board of Education	7,914	-	-	-	7,914
Executive administration	125,360	-	-	-	125,360
Support services - school administration:					
Other school administration	77	-	-	-	77
Support services - business:					
Fiscal services	36,027	3,650	-	-	39,677
Operation and maintenance of plant	81,293	120,766	-	-	202,059
Pupil transportation	-	125,773	-	-	125,773

Grant-Deuel School District 25-3
 Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
 Years Ended June 30, 2015 and 2014

	2015				
	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Cocurricular activities					
Male activities	2,127	-	-	-	2,127
Female activities	13,668	-	-	-	13,668
Combined activities	29,850	-	-	-	29,850
Capital outlay	-	253,324	-	-	253,324
Total expenditures	<u>988,226</u>	<u>571,672</u>	<u>206,852</u>	<u>35,139</u>	<u>1,801,889</u>
Excess of Revenue over (under) Expenditures	<u>40,744</u>	<u>(31,785)</u>	<u>99,992</u>	<u>22,951</u>	<u>131,902</u>
Other Financing Sources (Uses)					
Transfers out	<u>(44,288)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(44,288)</u>
Net Change in Fund Balance	(3,544)	(31,785)	99,992	22,951	87,614
Fund Balance - Beginning	<u>428,462</u>	<u>983,007</u>	<u>194,972</u>	<u>-</u>	<u>1,606,441</u>
Fund Balance - Ending	<u>\$ 424,918</u>	<u>\$ 951,222</u>	<u>\$ 294,964</u>	<u>\$ 22,951</u>	<u>\$ 1,694,055</u>

Grant-Deuel School District 25-3
 Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
 Years Ended June 30, 2015 and 2014

	2014				
	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Revenues					
Revenue from local sources					
Taxes:					
Ad valorem taxes	\$ 644,680	\$ 540,933	\$ 272,987	\$ 54,107	\$ 1,512,707
Prior year's ad valorem taxes	3,114	1,613	753	161	5,641
Gross receipts taxes	24,869	-	-	-	24,869
Penalties and interest on taxes	1,882	1,415	564	110	3,971
Tuition and fees:					
Regular day school tuition	22,292	-	-	-	22,292
Earnings on investments and deposits	2,249	-	-	-	2,249
Cocurricular activities					
Admissions	3,683	-	-	-	3,683
Other revenue from local sources:					
Charges for services	8,475	-	5,400	-	13,875
Other	28,896	-	-	-	28,896
Revenue from intermediate sources					
County sources:					
County apportionment	8,720	-	-	-	8,720
Revenue in lieu of taxes	2,936	373	174	37	3,520
Other	50	-	-	-	50
Revenue from State sources					
Grants-in-aid:					
Unrestricted grants-in-aid	258,792	-	-	-	258,792
Restricted grants-in-aid	-	-	1,400	-	1,400
Revenue from Federal sources					
Grants-in-aid:					
Restricted grants-in-aid received from Federal government through the State	39,083	-	-	-	39,083
Total revenues	1,049,721	544,334	281,278	54,415	1,929,748
Expenditures					
Instruction					
Regular programs:					
Elementary	298,255	20,719	-	52,456	371,430
Middle/junior high	49,145	-	-	-	49,145
High school	206,550	31,304	-	-	237,854
Special programs:					
Programs for special education	-	-	173,558	-	173,558
Educationally deprived	35,196	-	-	-	35,196
Support services					
Pupils:					
Guidance	20,979	-	498	-	21,477
Health	508	-	-	-	508
Psychological	-	-	9,488	-	9,488
Speech pathology	-	-	18,263	-	18,263
Student therapy services	-	-	15,125	-	15,125
Support services - instructional staff:					
Improvement of instruction	6,555	-	-	-	6,555
Educational media	45,057	14,056	-	-	59,113
Support services - general administration:					
Board of Education	24,779	-	-	-	24,779
Executive administration	109,370	-	-	-	109,370
Support services - school administration:					
Other school administration	324	-	-	-	324
Support services - business:					
Fiscal services	49,313	4,948	-	-	54,261
Operation and maintenance of plant	101,055	95,841	-	-	196,896
Pupil transportation	4,826	137,127	-	-	141,953
Food services	3,451	-	-	-	3,451
Cocurricular activities					
Male activities	2,804	1,929	-	-	4,733
Female activities	12,554	153	-	-	12,707
Combined activities	31,739	3,215	-	-	34,954
Capital outlay	-	50,635	-	-	50,635
Total expenditures	1,002,460	359,927	216,932	52,456	1,631,775

Grant-Deuel School District 25-3
 Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
 Years Ended June 30, 2015 and 2014

	2014				
	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Excess of Revenue over Expenditures	47,261	184,407	64,346	1,959	297,973
Other Financing Sources (Uses)					
Sale of general fixed assets	610	-	-	-	610
Transfers out	(40,000)	-	-	-	(40,000)
Total other financing sources (uses)	(39,390)	-	-	-	(39,390)
Net Change in Fund Balance	7,871	184,407	64,346	1,959	258,583
Net Position - Beginning, as Previously Stated	419,900	818,197	139,771	-	1,377,868
Correction of Errors (See Note 13)	691	(19,597)	(9,145)	(1,959)	(30,010)
Fund Balance - Beginning, as Restated	420,591	798,600	130,626	(1,959)	1,347,858
Fund Balance - Ending	<u>\$ 428,462</u>	<u>\$ 983,007</u>	<u>\$ 194,972</u>	<u>\$ -</u>	<u>\$ 1,606,441</u>

Grant-Deuel School District 25-3

Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances to the Government-
Wide Statement of Activities
Years Ended June 30, 2015 and 2014

	2015	2014
Net Change in Fund Balances - Total Governmental Funds	\$ 87,614	\$ 258,583
Amounts Reported for Governmental Activities in the Statements of Activities Are Different Because:		
Governmental funds report capital outlays as expenditures; however, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$59,656) was exceeded by Capital Outlay (\$253,324) in 2015, and which depreciation (\$63,974) exceeded Capital Outlay (\$50,635) in 2014.	193,667	(13,339)
In both the government-wide and fund financial statements, revenues from tax levies are applied to finance the budget of a particular period. Accounting for revenues from tax accruals in the fund's statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".	2,141	19,603
Revenues and reductions of expenses related to pensions do not provide current financial resources and; therefore, are not reported in the funds.	57,246	-
Change in Net Position of Governmental Activities	\$ 340,668	\$ 264,847

Grant-Deuel School District 25-3
Statement of Net Position – Proprietary Funds
June 30, 2015

	Food Service Fund	Enterprise Preschool Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 3,002	\$ -	\$ 3,002
Accounts receivable	118	-	118
Inventory of supplies	529	-	529
Inventory of stores purchased for resale	1,566	-	1,566
Inventory of donated food	1,916	-	1,916
Total current assets	<u>7,131</u>	<u>-</u>	<u>7,131</u>
Noncurrent Assets			
Net pension asset	21,313	10,972	32,285
Capital assets:			
Machinery and equipment - local funds	41,427	-	41,427
Less accumulated depreciation	<u>(37,455)</u>	<u>-</u>	<u>(37,455)</u>
Total noncurrent assets	<u>25,285</u>	<u>10,972</u>	<u>36,257</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>18,148</u>	<u>9,959</u>	<u>28,107</u>
	<u>\$ 50,564</u>	<u>\$ 20,931</u>	<u>\$ 71,495</u>
Liabilities and Net Position			
Liabilities			
Payroll deductions and withholdings and employer matching payable	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ 25</u>
Deferred Inflows of Resources			
Pension related deferred inflows	<u>24,685</u>	<u>12,708</u>	<u>37,393</u>
Net Position			
Net investment in capital assets	3,972	-	3,972
SDRS pension purposes	14,776	8,223	22,999
Unrestricted net position	<u>7,106</u>	<u>-</u>	<u>7,106</u>
Total net position	<u>25,854</u>	<u>8,223</u>	<u>34,077</u>
	<u>\$ 50,564</u>	<u>\$ 20,931</u>	<u>\$ 71,495</u>

Grant-Deuel School District 25-3
 Statements of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
 Years Ended June 30, 2015 and 2014

	Food Service Fund 2015	Enterprise Preschool Fund 2015	Total 2015
Operating Revenue			
Sales			
To pupils	\$ 21,282	\$ -	\$ 21,282
To adults	2,059	-	2,059
Pension revenue	900	463	1,363
Other charges for goods and services			
Day care services	-	12,062	12,062
Total operating revenue	<u>24,241</u>	<u>12,525</u>	<u>36,766</u>
Operating Expenses			
Salaries	38,931	30,303	69,234
Employee benefits	8,465	4,002	12,467
Purchased services	264	-	264
Supplies	276	-	276
Cost of sales - purchased	23,975	-	23,975
Cost of sales - donated	4,670	-	4,670
Depreciation	1,293	-	1,293
Other	1,792	-	1,792
Total operating expenses	<u>79,666</u>	<u>34,305</u>	<u>113,971</u>
Operating Loss	<u>(55,425)</u>	<u>(21,780)</u>	<u>(77,205)</u>
Nonoperating Revenue			
State sources:			
Cash reimbursements	336	-	336
Federal sources:			
Cash reimbursements	30,160	-	30,160
Donated food	4,993	-	4,993
Total nonoperating revenue	<u>35,489</u>	<u>-</u>	<u>35,489</u>
Loss Before Contributions and Transfers	(19,936)	(21,780)	(41,716)
Transfers in	<u>19,327</u>	<u>24,961</u>	<u>44,288</u>
Change in Net Position	<u>(609)</u>	<u>3,181</u>	<u>2,572</u>
Net Position - Beginning, as Previously Stated	15,018	(850)	14,168
Change in Reporting, GASB 68 (See Note 12)	<u>11,445</u>	<u>5,892</u>	<u>17,337</u>
Net Position - Beginning, as Restated	<u>26,463</u>	<u>5,042</u>	<u>31,505</u>
Net Position - Ending	<u>\$ 25,854</u>	<u>\$ 8,223</u>	<u>\$ 34,077</u>

Grant-Deuel School District 25-3
Statements of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
Years Ended June 30, 2015 and 2014

	2014		
	Enterprise		
	Food Service Fund	Preschool Fund	Total
Operating Revenue			
Tuition and fees			
Student tuition	\$ -	\$ 9,520	\$ 9,520
Sales			
To pupils	30,275	-	30,275
To adults	9,125	-	9,125
Total operating revenue	<u>39,400</u>	<u>9,520</u>	<u>48,920</u>
Operating Expenses			
Salaries	51,628	24,463	76,091
Employee benefits	12,497	5,748	18,245
Purchased services	423	1,132	1,555
Supplies	2,437	65	2,502
Cost of sales - purchased	29,241	-	29,241
Cost of sales - donated	3,331	-	3,331
Depreciation	1,807	-	1,807
Other	1,922	-	1,922
Total operating expenses	<u>103,286</u>	<u>31,408</u>	<u>134,694</u>
Operating Loss	<u>(63,886)</u>	<u>(21,888)</u>	<u>(85,774)</u>
Nonoperating Revenue			
Local sources:			
Investment earnings	2	-	2
State sources:			
Cash reimbursements	252	-	252
Federal sources:			
Cash reimbursements	33,642	-	33,642
Donated food	4,074	-	4,074
Total nonoperating revenue	<u>37,970</u>	<u>-</u>	<u>37,970</u>
Loss Before Contributions and Transfers	(25,916)	(21,888)	(47,804)
Transfers in	<u>30,000</u>	<u>10,000</u>	<u>40,000</u>
Change in Net Position	4,084	(11,888)	(7,804)
Net Position - Beginning	<u>10,934</u>	<u>11,038</u>	<u>21,972</u>
Net Position - Ending	<u>\$ 15,018</u>	<u>\$ (850)</u>	<u>\$ 14,168</u>

Grant-Deuel School District 25-3
 Statements of Cash Flows – Proprietary Funds
 Year Ended June 30, 2015

	Enterprise		Total 2015
	Food Service Fund 2015	Preschool Fund 2015	
Cash Flows used for Operating Activities			
Cash receipts from customers	\$ 23,341	\$ 12,062	\$ 35,403
Cash payments to employees for services	(52,647)	(38,081)	(90,728)
Cash payments to suppliers for goods or services	(23,697)	-	(23,697)
Other operating cash payments	(1,792)	-	(1,792)
Net Cash used for Operating Activities	<u>(54,795)</u>	<u>(26,019)</u>	<u>(80,814)</u>
Cash Flows from Noncapital Financing Activities			
Advances from (repayment to) General Fund	19,327	24,961	44,288
Cash reimbursements - State sources	336	-	336
Cash reimbursements - Federal sources	30,160	-	30,160
Net Cash from Noncapital Financing Activities	<u>49,823</u>	<u>24,961</u>	<u>74,784</u>
Net Change in Cash and Cash Equivalents	(4,972)	(1,058)	(6,030)
Cash and Cash Equivalents Beginning of Year	<u>7,974</u>	<u>1,058</u>	<u>9,032</u>
Cash and Cash Equivalents End of Year	<u>\$ 3,002</u>	<u>\$ -</u>	<u>\$ 3,002</u>
Reconciliation of Operating Loss to Net Cash used for Operating Activities			
Operating loss	\$ (55,425)	\$ (21,780)	\$ (77,205)
Adjustments to reconcile operating loss to net cash from (used for) operating activities:			
Depreciation	1,293	-	1,293
Value of donated commodities used	4,670	-	4,670
Change in assets and liabilities:			
Inventories	605	-	605
Pension assets and deferred outflows	(28,016)	(15,039)	(43,055)
Pension deferred inflows	24,685	12,708	37,393
Accounts and other payables	213	-	213
Accrued wages payable	(2,481)	(1,679)	(4,160)
Accrued payroll liabilities	(339)	(229)	(568)
Net Cash used for Operating Activities	<u>\$ (54,795)</u>	<u>\$ (26,019)</u>	<u>\$ (80,814)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	\$ 4,993	\$ -	\$ 4,993

Grant-Deuel School District 25-3
Statements of Cash Flows – Proprietary Funds
Year Ended June 30, 2014

	Food Service Fund	Enterprise Preschool Fund	Total
Cash Flows used for Operating Activities			
Cash receipts from customers	\$ 35,283	\$ 9,520	\$ 44,803
Cash payments to employees for services	(64,802)	(33,601)	(98,403)
Cash payments to suppliers for goods or services	(31,757)	(2,829)	(34,586)
Other operating cash payments	(1,922)	-	(1,922)
Net Cash used for Operating Activities	<u>(63,198)</u>	<u>(26,910)</u>	<u>(90,108)</u>
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	30,000	10,000	40,000
Cash reimbursements - State sources	252	-	252
Cash reimbursements - Federal sources	33,642	-	33,642
Net Cash from Noncapital Financing Activities	<u>63,894</u>	<u>10,000</u>	<u>73,894</u>
Cash Flows from Investing Activities			
Cash received for interest	2	-	2
Net Cash from Investing Activities	<u>2</u>	<u>-</u>	<u>2</u>
Net Change in Cash and Cash Equivalents	698	(16,910)	(16,212)
Cash and Cash Equivalents Beginning of Year	<u>7,276</u>	<u>17,968</u>	<u>25,244</u>
Cash and Cash Equivalents End of Year	<u>\$ 7,974</u>	<u>\$ 1,058</u>	<u>\$ 9,032</u>
Reconciliation of Operating Loss to Net Cash used for Operating Activities			
Operating loss	\$ (63,886)	\$ (21,888)	\$ (85,774)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation	1,807	-	1,807
Value of donated commodities used	3,331	-	3,331
Change in assets and liabilities:			
Receivables	(118)	-	(118)
Inventories	430	-	430
Accounts and other payables	(86)	(1,632)	(1,718)
Accrued wages payable	(377)	(2,840)	(3,217)
Accrued payroll liabilities	(300)	(550)	(850)
Student Deposits	(3,999)	-	(3,999)
Net Cash used for Operating Activities	<u>\$ (63,198)</u>	<u>\$ (26,910)</u>	<u>\$ (90,108)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	\$ 4,074	\$ -	\$ 4,074

Grant-Deuel School District 25-3
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2015

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	<u>\$ 3,838</u>	<u>\$ 14,530</u>
Liabilities		
Amounts held for others	<u>\$ -</u>	<u>\$ 14,530</u>
Net Position		
Held in trust for scholarships	<u>3,838</u>	<u>-</u>
Total liabilities and net position	<u><u>\$ 3,838</u></u>	<u><u>\$ 14,530</u></u>

Grant-Deuel School District 25-3
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2015

	2015	2014
Additions		
Contributions and donations	\$ -	\$ 500
Other additions	150	-
Total additions	150	500
Deductions		
Trust deductions for scholarships	-	450
Other deductions	20	-
Total Deductions	20	450
Change in Net Position	130	50
Net Assets - Beginning	3,708	3,658
Net Assets - Ending	\$ 3,838	\$ 3,708

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Grant-Deuel School District 25-3 conform to generally accepted accounting principles applicable to government entities in the United States of America.

Financial Reporting Entity

The reporting entity of the Grant-Deuel School District 25-3 (the School District) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the School District); 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 School District's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has no component units.

The School District participates in cooperative service units 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 School District as a component unit, but are discussed in these notes because of the nature of their relationship with the School District.

Basis of Presentation

The financial statements of the School District have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard setting body for governmental accounting and financial reporting.

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

1. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5% 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.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary services.

The funds of the School District are described below within their respective fund types.

Governmental Funds

General Fund – A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.

Special Revenue Fund Types – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Capital Outlay, Special Education and Pension Funds are the special revenue funds maintained by the School District.

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.

Proprietary Funds

Enterprise Fund Types – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The following are enterprise funds maintained by the School District:

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.

Preschool Fund – A fund used to record financial transactions related to preschool operations. This fund is financed by user charges. This is a major fund.

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

Agency Fund Types – Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds to hold assets as an agent in a trustee capacity for student funds generated within the School District by the students or other School District organizations.

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

- Karen Mayer Scholarship Fund

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 statements 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 funds.

Basis of Accounting**Government-Wide Financial Statements**

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

Fund Financial Statements

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues 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 School District, the length of that cycle is 60 days. 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.

Interfund Eliminations and Reclassifications

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

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

Fund Financial Statements – Noncurrent portions of long-term interfund receivables are reported as nonspendable fund balance to the extent that the proceeds from collection of those receivables are not restricted, committed, or assigned. Current portions of interfund receivables are considered “available spendable resources” and are reported in the appropriate fund balance category.

Inventory

Inventory is stated at the lower of cost or market. The cost valuation method is first-in, first out (FIFO). Donated commodities are valued at estimated market value based on the USDA price list at date of receipt. In the government-wide financial statements and the proprietary funds in the 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 in the General Fund and special revenue funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a non-spendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The School District did not have any material amounts of inventory in the General Fund or special revenue funds.

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.

Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	All land values	N/A	N/A
Buildings	\$ 25,000	Straight-line	30-125 years
Machinery and equipment	5,000	Straight-line	4-20 years
Food service equipment	300	Straight-line	12-25 years

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.

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. As of June 30, 2015, the School District had no long-term liabilities.

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.

Program Revenues

In the government-wide statements 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.

Property Taxes

Property taxes are levied on or before each October 1, attached as an enforceable lien on property as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. Approximately 50% is considered to be applied to finance the budget of the current fiscal year, and the remaining 50% is considered to be applied to finance the budget for the subsequent year. 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".

Proprietary Funds Revenue and Expense Classifications

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

In the proprietary fund's statements of revenues, expenses and changes in net position, revenues and expenses are classified in a manner consistent with how they are classified in the statements 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.

Cash and Cash Equivalents

The School District pools its cash resources for deposit purposes. Accordingly, the enterprise fund has access to its cash resources on demand. Accordingly, all reported enterprise fund deposit balances are considered to be cash equivalents for the purpose of the statements of cash flows.

Equity Classifications

Government-Wide Statements – Equity is classified as net position and is displayed in three components:

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

Fund Financial Statements

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

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.

Fund Balance Classification Policies and Procedures

In accordance with GASB No. 54, the School District classifies governmental fund balances as follows:

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

The 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 grant agreements requiring dollar for dollar spending. Additionally, the School District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The government does not have a formal minimum fund balance policy.

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund	Property taxes
Special Education Fund	Grants and property taxes
Pension Fund	Property taxes

Deferred Outflows and Inflows of Resources

For the year ended June 30, 2014, the School District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the use of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability (asset) not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has two types of items that qualify for reporting in this category. The School District reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension liability (asset) not included in pension expense reported in the government-wide statement of net position.

Pensions

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

Implementation of GASB Statement No. 68 and GASB Statement No. 71

As of July 1, 2014, the School District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 15.

Rounding

Computer generated rounding variances may exist in the basic financial statements and required supplementary information. The variances result from values being entered with cents rather than as whole numbers.

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% 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. As of June 30, 2015, none of the financial institutions that holds the School District's deposits were properly collateralized.

Deposits are reported at cost plus interest, if the account is of the add-on type.

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 investments to the General Fund.

Concentration of Credit Risk: The School District places no limit on the amount that the School District may deposit in any one institution.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned. The School District's deposit policy requires deposits in excess of the Depository Insurance maximums to be 100% collateralized as required by South Dakota Codified Law. The financial institutions where the collateral is held must be a member of the FDIC.

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

Insured (FDIC/NCUA)	\$ 500,000
Uninsured, collateral jointly held by State's/School District's agent in the name of the State and the pledging State and the pledging financial institution	1,535,973
	\$ 2,035,973

The School District's carrying amount of deposits at June 30, 2015 was \$2,028,832. Reconciliation of deposits to government-wide statement of net position:

Cash and cash equivalents	\$ 2,010,464
Add: Agency fund cash (not included in government-wide statement of net assets)	18,368
	\$ 2,028,832

Investments

In general, SDCL 4-5-6 permits School District funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

As of June 30, 2015, the School District did not hold any investments. The School District does not have a formal investment policy that addresses custodial credit risk, interest rate risk, credit risk, or concentration of credit risk.

Note 3 - Receivables and Payables

Receivables and payables are aggregated in the government-wide financial statements. However, the fund financial statements present the receivable and payable information in a non-aggregated format. The School District expects all receivables to be collected within one year. Based on the nature of the receivables, no allowances for estimated uncollectible accounts have been established.

Note 4 - Changes in Capital Assets

A summary of changes in capital assets for the years ended June 30, 2015 and 2014 is as follows:

Primary Government Governmental Activities	Balance 07/01/14	Increases	Decreases	Balance 06/30/15
Capital assets, not being depreciated:				
Land	\$ 10,600	\$ -	\$ -	\$ 10,600
Construction in process	-	198,770	-	198,770
Total capital assets not being depreciated	10,600	198,770	-	209,370
Capital assets being depreciated:				
Buildings	1,171,875	-	-	1,171,875
Machinery and equipment	617,270	54,554	-	671,824
	1,789,145	54,554	-	1,843,699
Less accumulated depreciation for:				
Buildings	692,012	20,275	-	712,287
Machinery and equipment	454,463	39,382	-	493,845
Total accumulated depreciation	1,146,475	59,657	-	1,206,132
Total capital assets being depreciated, net	642,670	(5,103)	-	637,567
Governmental activity capital assets, net	\$ 653,270	\$ 193,667	\$ -	\$ 846,937

Depreciation expense was charged to functions as follows:

Governmental activities		
Instruction		\$ 20,932
Support services		37,644
Cocurricular		1,081
Total depreciation expense - governmental activities		\$ 59,657

Grant-Deuel School District 25-3
Notes to Financial Statements
June 30, 2015 and 2014

<u>Business-Type Activities</u>	<u>Balance 07/01/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/15</u>
Capital assets being depreciated:				
Machinery and equipment	\$ 41,427	\$ -	\$ -	\$ 41,427
Total	41,427	-	-	41,427
Less accumulated depreciation for:				
Machinery and equipment	36,162	1,293	-	37,455
Total accumulated depreciation	36,162	1,293	-	37,455
Total capital assets being depreciated, net	5,265	(1,293)	-	3,972
Business-type activities capital assets, net	<u>\$ 5,265</u>	<u>\$ (1,293)</u>	<u>\$ -</u>	<u>\$ 3,972</u>

Depreciation expense was charged to functions as follows:

Business-type activities:			
Food services			\$ 1,293
Total depreciation expense - business-type activities			<u>\$ 1,293</u>

<u>Primary Government Governmental Activities</u>	<u>Balance 07/01/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/14</u>
Capital assets, not being depreciated:				
Land	\$ 10,600	\$ -	\$ -	\$ 10,600
Total capital assets not being depreciated	10,600	-	-	10,600
Capital assets being depreciated				
Buildings	1,141,990	29,885	-	1,171,875
Machinery and equipment	596,520	20,750	-	617,270
	1,738,510	50,635	-	1,789,145
Less accumulated depreciation for:				
Buildings	672,334	19,678	-	692,012
Machinery and equipment	410,167	44,296	-	454,463
Total accumulated depreciation	1,082,501	63,974	-	1,146,475
Total capital assets, being depreciated, net	656,009	(13,339)	-	642,670
Governmental activity capital assets, net	<u>\$ 666,609</u>	<u>\$ (13,339)</u>	<u>\$ -</u>	<u>\$ 653,270</u>

Depreciation expense was charged to functions as follows:

Governmental activities			
Instruction			\$ 23,781
Support services			39,840
Cocurricular			353
Total depreciation expense - governmental activities			<u>\$ 63,974</u>

Grant-Deuel School District 25-3
Notes to Financial Statements
June 30, 2015 and 2014

Business-Type Activities	Balance 07/01/13	Increases	Decreases	Balance 06/30/14
Capital assets being depreciated:				
Machinery and equipment	\$ 41,427	\$ -	\$ -	\$ 41,427
Total	41,427	-	-	41,427
Less accumulated depreciation for:				
Machinery and equipment	34,355	1,807		36,162
Total accumulated depreciation	34,355	1,807	-	36,162
Total capital assets being depreciated, net	7,072	(1,807)		5,265
Business-type activities capital assets, net	\$ 7,072	\$ (1,807)	\$ -	\$ 5,265
Depreciation expense was charged to functions as follows:				
Business-type activities:				
Food services				\$ 1,807
Total depreciation expense - business-type activities				\$ 1,807

Note 5 - Operating Lease Commitments

The School District has commitments to lease certain office equipment. Future minimum rental commitments for equipment operating leases as of June 30, 2015 are as follows:

2016	\$ 2,190
2017	720
2018	180
	\$ 3,090

Lease expenditures were \$8,075 and \$8,577 for years ended June 30, 2015 and 2014, respectively.

Note 6 - Restricted Net Position

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

Purpose	Restricted By	Amount
Capital Outlay	Law	\$ 952,854
Special Education	Law	295,811
Pension Purposes	Law	23,114
SDRS Pension Purposes	Law	223,588
Total restricted net assets		\$ 1,495,367

Note 7 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the two years 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 omission 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.

Employee Health Insurance

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

Worker's Compensation Insurance

The School District participates, with several other educational units and related organizations in South Dakota, in the Association of School Boards Worker's Compensation Fund Pool which provided worker's compensation insurance coverage for participating members of the pool. The School District is responsible for payment of a premium to the insurance pool along with other pool participants. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. For the year ended June 30, 2014, the pool's retained risk was \$500,000 per occurrence with additional insurance purchased from a private insurance company for an additional \$500,000 for total coverage of \$1,000,000 per occurrence. For the year ended June 30, 2015, the pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual per incident. There was no additional assessment charged to the pool members for the years ended June 30, 2015 and 2014.

Unemployment Benefits

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

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

Note 8 - Pension Plan**Plan Information**

All employees, working more than 20 hours per week during the 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 survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> or by writing to the SDRS, PO 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% prior to 2008 and 1.55% 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% for service prior to 2008 and 2.0% thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733% for service prior to 2008 and 3.333% thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

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

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

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

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary, Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$48,459, \$49,816 and \$48,678, respectively, equal to the required contributions each year.

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

At June 30, 2014, SDRS is 107% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of SDRS, for the School District as of June 30, 2015 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 5,036,287
Less proportionate share of total pension liability	<u>4,694,225</u>
Proportionate share of net pension asset	<u><u>\$ 342,062</u></u>

The net pension asset was measured as of June 30, 2014 and the total pension liability used to calculate the net pension asset was determined by actuarial valuation as of that date. At June 30, 2015, the School District reported an asset of \$342,062 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015 and the total pension asset used to calculate the net pension asset was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2014, the School District's proportion was 0.0474783%.

For the year ended June 30, 2015, the School District recognized pension revenue of \$14,449. 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	\$ 28,943	\$ -
Changes in assumption	223,288	-
Net difference between projected and actual earnings on pension plan investments	-	396,165
School District contributions subsequent to the measurement date	<u>48,459</u>	<u>-</u>
	<u><u>\$ 300,690</u></u>	<u><u>\$ 396,165</u></u>

There is \$48,459 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 revenue as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2016	\$ (27,180)
2017	(27,180)
2018	(27,180)
2019	(62,394)
	<u>\$ (143,934)</u>

Actuarial Assumptions

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

Inflation	3.25%
Salary increases	5.83% at entry to 3.87% after 30 years of service
Investment rate of return	7.25% through 2016 and 7.50% thereafter, net of pension plan investment expense

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

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 weighting 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	61.0%	4.7%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.5%
Cash	2.0%	0.8%
	100.0%	

Discount Rate

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

Sensitivity of Asset to Changes in the Discount Rate

The following presents the School District's proportionate share of net pension asset calculated using the discount rate of 7.25% through 2016 and 7.50% thereafter, as well as what the School District's proportionate share of the net pension asset would be if it were calculated using a discount rate that is one percentage point lower (6.25/6.50%) or one 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 asset	\$ (338,021)	\$ 342,062	\$ 896,740

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.

Pension Plan Fiduciary Net Position

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

Note 9 - Interfund Transactions

During the years ended June 30, 2015 and 2014, the General Fund transferred to the Food Service Fund \$19,327 and \$30,000, and the Preschool Fund \$24,961 and \$10,000, respectively, to cover operating deficits of these funds.

As of June 30, 2015, the Special Education Fund and Pension Fund have a "Due from other funds" for amounts loaned by the Special Education Fund and Pension Fund to the General Fund. The balance of this arrangement was \$526 and \$526 for the Special Education Fund and \$12,694 and \$12,694 for the Pension Fund as of June 30, 2015 and 2014, respectively. These amounts are reflected as "Due to other funds" on the statements for General Fund.

Note 10 - Litigation

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

Note 11 - Joint Ventures

The School District participates in Northeast Educational Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education and other services to member schools. The School District's percentage of participation in the co-op is 1.47% based on student counts.

The co-op's governing board has one representative from the school board of each member school. 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 responsibility to fund deficits of the co-op in proportion to the relative participation described above.

Separate financial statements of the co-op are available at its business office in Hayti, South Dakota.

As of June 30, 2015, this joint venture had total unaudited fund equity of approximately \$1,160,768.

The School District also participated in the Northeast Technical High School, a multi-district school formed for the purpose of providing career and technical education services to member schools. The School District's percentage of participation in the school is 2.39% based on student counts.

The School District's governing board is composed of one or two representatives from each School District, who are appointed by their respective school boards. The board is responsible for adopting the multi-district'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 multi-district school, but does have a responsibility to fund deficits of the center in proportion to the relative participation described above.

Separate financial statements for this multi-district school are available at the school in Watertown, South Dakota.

At June 30, 2015, this multi-district school had total unaudited fund equity of approximately \$260,681.

Note 12 - Restatement of Beginning Net Position

As of July 1, 2014, the School District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date as follows:

	Governmental Activities	Food Service Fund	Preschool Fund	Total
Net position at June 30, 2014, as previously stated	\$ 2,283,602	\$ 15,018	\$ (850)	\$ 2,297,770
Net pension asset at June 30, 2014	121,228	8,341	4,294	133,863
Deferred outflows of resources related to contributions made during the year ended June 30, 2014	45,114	3,104	1,598	49,816
Net position at July 1, 2014, as restated	<u>\$ 2,449,944</u>	<u>\$ 26,463</u>	<u>\$ 5,042</u>	<u>\$ 2,481,449</u>

Note 13 - Correction of Errors

The School has determined that certain transactions were recorded incorrectly in 2013.

Utility gross receipts taxes of \$23,753 received in the general fund were erroneously deferred in 2013 when those receipts were available to finance 2013's expenditures and property tax revenue in the general fund of \$23,062 was recognized in 2013 when it was levied to finance 2014's expenditures. To correct for these errors, the beginning fund balance of the general fund of \$419,900, as originally reported, has been increased to \$420,591. It has also been determined that property tax revenue in the capital outlay, special education, and pension funds in the amounts of \$19,597, \$9,145, and \$1,959, respectively, was recognized in 2013 when it was levied to finance 2014's expenditures. To correct for these errors, the beginning fund balances of these funds of \$818,197, \$139,771, and \$0, as originally reported, respectively, have been decreased to \$798,600, \$130,626, and (\$1,959), respectively.

It has also been determined that fixed assets, net of accumulated depreciation, were overstated by \$49,926 in 2013. To correct this error, the beginning net position of the governmental activities has been increased by that amount.

In total, to correct these errors, the beginning net position of the governmental activities of \$2,122,444, as originally reported, has been decreased to \$2,018,755.

Note 14 - Subsequent Event

Subsequent to June 30, 2015, the Board approved a plan for dissolution of the School District at the end of the 2016-2017 school year.



Required Supplementary Information
June 30, 2015 and 2014

Grant-Deuel School District 25-3

Grant-Deuel School District 25-3
 Budgetary Comparison Schedules – Budgetary Basis – General Fund
 Years Ended June 30, 2015 and 2014

	2015			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 664,000	\$ 664,000	\$ 689,150	\$ 25,150
Prior year's ad valorem taxes	3,000	3,000	3,580	580
Gross receipts taxes	30,000	30,000	43,842	13,842
Penalties and interest on taxes	-	-	677	677
Tuition and fees:				
Regular day school tuition	20,000	20,000	900	(19,100)
Earnings on investments and deposits	1,000	1,000	3,611	2,611
Cocurricular activities:				
Admissions	3,000	3,000	760	(2,240)
Rentals	-	-	874	874
Other revenue from local sources:				
Charges for services	-	-	3,127	3,127
Other	29,000	29,000	28,664	(336)
Revenue from intermediate sources				
County sources:				
County apportionment	6,000	6,000	9,678	3,678
Revenue in lieu of taxes	-	-	449	449
Revenue from State sources				
Grants-in-aid:				
Unrestricted grants-in-aid	208,800	208,800	206,418	(2,382)
Restricted grants-in-aid	-	-	3,504	3,504
Revenue from Federal sources				
Grants-in-aid:				
Restricted grants-in-aid received from Federal government through the State	38,000	38,000	33,736	(4,264)
Total revenues	<u>1,002,800</u>	<u>1,002,800</u>	<u>1,028,970</u>	<u>26,170</u>
Expenditures				
Instruction				
Regular programs:				
Elementary	298,500	330,213	300,214	29,999
Middle/junior high	53,600	56,234	52,167	4,067
High school	239,500	259,794	242,597	17,197
Other regular programs	6,500	6,500	-	6,500
Special programs:				
Educationally deprived	23,000	35,280	33,406	1,874
Support services				
Pupils:				
Guidance	37,800	39,060	10,730	28,330
Health	1,500	1,500	312	1,188
Support services - instructional staff:				
Improvement of instruction	9,900	9,900	4,223	5,677
Educational media	53,500	55,254	48,261	6,993
Support services - general administration:				
Board of Education	21,000	21,000	7,914	13,086
Executive administration	126,250	128,520	125,360	3,160
Support services - school administration:				
Other	-	-	77	(77)

Grant-Deuel School District 25-3
 Budgetary Comparison Schedules – Budgetary Basis – General Fund
 Years Ended June 30, 2015 and 2014

	2015			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Support services - business:				
Fiscal services	50,700	78,398	36,027	42,371
Operation and maintenance of plant	172,800	179,461	81,293	98,168
Pupil transportation	8,000	8,000	-	8,000
Food services	4,000	4,000	-	4,000
Other support services	3,000	3,000	-	3,000
Cocurricular activities				
Male activities	2,700	4,827	2,127	2,700
Female activities	20,000	21,450	13,668	7,782
Combined activities	32,800	38,129	29,850	8,279
Contingencies	20,000	20,000	-	20,000
Amount transferred	-	(20,000)	-	(20,000)
Total expenditures	<u>1,185,050</u>	<u>1,280,520</u>	<u>988,226</u>	<u>292,294</u>
Excess of Revenue over (under) Expenditures	<u>(182,250)</u>	<u>(277,720)</u>	<u>40,744</u>	<u>318,464</u>
Other Financing Sources (uses)				
Transfers out	<u>(60,000)</u>	<u>(60,000)</u>	<u>(44,288)</u>	<u>15,712</u>
Net Change in Fund Balances	(242,250)	(337,720)	(3,544)	334,176
Fund Balance - Beginning	<u>428,462</u>	<u>428,462</u>	<u>428,462</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 186,212</u>	<u>\$ 90,742</u>	<u>\$ 424,918</u>	<u>\$ 334,176</u>

Grant-Deuel School District 25-3
 Budgetary Comparison Schedules – Budgetary Basis – General Fund
 Years Ended June 30, 2015 and 2014

	2014			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 620,000	\$ 620,000	\$ 644,680	\$ 24,680
Prior years' ad valorem taxes	5,000	5,000	3,114	(1,886)
Gross receipts taxes	48,000	48,000	24,869	(23,131)
Penalties and interest on taxes	-	-	1,882	1,882
Tuition and fees:				
Regular day school tuition	13,900	13,900	22,292	8,392
Earnings on investments and deposits	1,000	1,000	2,249	1,249
Cocurricular activities:				
Admissions	3,500	3,500	3,683	183
Other revenue from local sources:				
Charges for services	-	-	8,475	8,475
Other	11,000	11,000	28,896	17,896
Revenue from intermediate sources				
County sources:				
County apportionment	12,000	12,000	8,720	(3,280)
Revenue in lieu of taxes	-	-	2,936	2,936
Other	-	-	50	50
Revenue from State sources				
Grants-in-aid:				
Unrestricted grants-in-aid	430,800	430,800	258,792	(172,008)
Revenue from Federal sources				
Grants-in-aid:				
Restricted grants-in-aid received from Federal government through the State	38,000	38,000	39,083	1,083
Total revenues	<u>1,183,200</u>	<u>1,183,200</u>	<u>1,049,721</u>	<u>(133,479)</u>
Expenditures				
Instruction				
Regular programs:				
Elementary	342,950	342,950	298,255	44,695
Middle/junior high	57,550	57,550	49,145	8,405
High school	250,050	250,050	206,550	43,500
Special programs:				
Educationally deprived	41,000	41,000	35,196	5,804
Other	11,000	11,000	-	11,000
Support services				
Pupils:				
Guidance	23,300	23,300	20,979	2,321
Health	1,500	1,500	508	992
Support services - instructional staff:				
Improvement of instruction	-	-	6,555	(6,555)
Educational media	54,000	54,000	45,057	8,943
Support services - general administration:				
Board of Education	21,000	21,000	24,779	(3,779)
Executive administration	126,000	126,000	109,370	16,630
Support services - school administration:				
Other	-	-	324	(324)
Support services - business:				
Fiscal services	76,300	76,300	49,313	26,987
Operation and maintenance of plant	146,200	146,200	101,055	45,145
Pupil transportation	8,000	8,000	4,826	3,174
Food services	4,000	4,000	3,451	549

Grant-Deuel School District 25-3
 Budgetary Comparison Schedules – Budgetary Basis – General Fund
 Years Ended June 30, 2015 and 2014

	2014			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Other	2,000	2,000	-	2,000
Other support services	1,000	1,000	-	1,000
Cocurricular activities				
Male activities	14,100	14,100	2,804	11,296
Female activities	15,900	15,900	12,554	3,346
Combined activities	30,500	30,500	31,739	(1,239)
Contingencies	20,000	20,000	-	20,000
Amounts transferred	-	(20,000)	-	(20,000)
Total expenditures	1,246,350	1,226,350	1,002,460	223,890
Excess of Revenue over (under) Expenditures	(63,150)	(43,150)	47,261	90,411
Other Financing Sources (Uses)				
Sale of general fixed assets	-	-	610	610
Transfers out	(60,000)	(90,000)	(40,000)	50,000
Total other financing sources (uses)	(60,000)	(90,000)	(39,390)	50,610
Net Change in Fund Balances	(123,150)	(133,150)	7,871	141,021
Fund Balance - Beginning	420,591	420,591	420,591	-
Fund Balance - Ending	<u>\$ 297,441</u>	<u>\$ 287,441</u>	<u>\$ 428,462</u>	<u>\$ 141,021</u>

Grant-Deuel School District 25-3
 Budgetary Comparison Schedules – Budgetary Basis – Capital Outlay Fund
 Years Ended June 30, 2015 and 2014

	2015			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive Negative
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 601,000	\$ 601,000	\$ 536,024	\$ (64,976)
Prior year's ad valorem taxes	-	-	2,756	2,756
Penalties and interest on taxes	-	-	609	609
Other revenue from local sources:				
Other	-	-	60	60
Revenue from intermediate sources				
Revenue in lieu of taxes	-	-	438	438
Total revenues	601,000	601,000	539,887	(61,113)
Expenditures				
Instruction				
Regular programs:				
Elementary	50,000	69,903	296,427	(226,524)
High school	55,800	66,808	20,139	46,669
Support services				
Support services - instructional staff				
Educational media	25,000	31,721	4,917	26,804
Support services - school administration:				
Office of the Principal	1,500	1,500	-	1,500
Support services - business:				
Fiscal services	7,500	38,200	3,650	34,550
Operation and maintenance of plant	295,200	384,356	120,766	263,590
Pupil transportation	155,000	166,294	125,773	40,521
Cocurricular Activities				
Male activities	3,000	3,000	-	3,000
Female activities	3,000	3,000	-	3,000
Combined activities	5,000	5,000	-	5,000
Total expenditures	601,000	769,782	571,672	198,110
Net Change in Fund Balance	-	(168,782)	(31,785)	136,997
Adjusted Fund Balance - Beginning	983,007	983,007	983,007	-
Fund Balance - Ending	<u>\$ 983,007</u>	<u>\$ 814,225</u>	<u>\$ 951,222</u>	<u>\$ 136,997</u>

Grant-Deuel School District 25-3
 Budgetary Comparison Schedules – Budgetary Basis – Capital Outlay Fund
 Years Ended June 30, 2015 and 2014

	2014			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 520,000	\$ 520,000	\$ 540,933	\$ 20,933
Prior year's ad valorem taxes	-	-	1,613	1,613
Penalties and interest on taxes	-	-	1,415	1,415
Revenue from intermediate sources				
Revenue in lieu of taxes	-	-	373	373
Total revenues	<u>520,000</u>	<u>520,000</u>	<u>544,334</u>	<u>24,334</u>
Expenditures				
Instruction				
Regular programs:				
Elementary	44,500	44,500	20,719	23,781
High school	45,600	45,600	31,304	14,296
Support services				
Pupils				
Guidance	2,000	2,000	-	2,000
Support services - instructional staff				
Educational media	36,000	36,000	14,056	21,944
Support services - school administration:				
Office of the Principal	1,000	1,000	-	1,000
Support services				
Fiscal services	7,300	7,300	4,948	2,352
Operation and maintenance of plant	210,600	210,600	95,841	114,759
Pupil transportation	155,000	155,000	137,127	17,873
Cocurricular Activities				
Male activities	5,000	5,000	1,929	3,071
Female activities	10,000	10,000	153	9,847
Combined activities	3,000	3,000	3,215	(215)
Capital Outlay	-	-	50,635	(50,635)
Total expenditures	<u>520,000</u>	<u>520,000</u>	<u>359,927</u>	<u>160,073</u>
Net Change in Fund Balance	-	-	184,407	184,407
Fund Balance - Beginning	<u>798,600</u>	<u>798,600</u>	<u>798,600</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 798,600</u>	<u>\$ 798,600</u>	<u>\$ 983,007</u>	<u>\$ 184,407</u>

Grant-Deuel School District 25-3
 Budgetary Comparison Schedules – Budgetary Basis – Special Education Fund
 Years Ended June 30, 2015 and 2014

	2015			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 283,000	\$ 283,000	\$ 300,611	\$ 17,611
Prior year's ad valorem taxes	-	-	1,392	1,392
Penalties and interest on taxes	-	-	315	315
Other revenue from local sources (uses):				
Charges for services	10,000	10,000	3,990	(6,010)
Other	-	-	300	300
Revenue from intermediate sources				
Revenue in lieu of taxes	-	-	236	236
Total revenues	<u>293,000</u>	<u>293,000</u>	<u>306,844</u>	<u>13,844</u>
Expenditures				
Instruction				
Special programs:				
Programs for special education	262,000	268,367	145,690	122,677
Support services				
Pupils:				
Guidance	-	348	848	(500)
Psychological	7,000	13,589	13,589	-
Speech pathology	13,500	26,117	26,117	-
Student therapy services	10,500	20,609	20,608	1
Special education:				
Other	10,000	15,988	-	15,988
Total expenditures	<u>303,000</u>	<u>345,018</u>	<u>206,852</u>	<u>138,166</u>
Net Change in Fund Balance	(10,000)	(52,018)	99,992	152,010
Fund Balance - Beginning	<u>194,972</u>	<u>194,972</u>	<u>194,972</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 184,972</u>	<u>\$ 142,954</u>	<u>\$ 294,964</u>	<u>\$ 152,010</u>

Grant-Deuel School District 25-3
 Budgetary Comparison Schedules – Budgetary Basis – Special Education Fund
 Years Ended June 30, 2015 and 2014

	2014			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 210,000	\$ 210,000	\$ 272,987	\$ 62,987
Prior year's ad valorem taxes	-	-	753	753
Penalties and interest on taxes	-	-	564	564
Other revenue from local sources (uses):				
Charges for services	-	-	5,400	5,400
Other	16,000	16,000	-	(16,000)
Revenue from intermediate sources				
Revenue in lieu of taxes	-	-	174	174
Revenue from State sources				
Grants-in-aid:				
Restricted grants-in-aid	-	-	1,400	1,400
Total revenues	<u>226,000</u>	<u>226,000</u>	<u>281,278</u>	<u>55,278</u>
Expenditures				
Instruction				
Special programs:				
Programs for special education	222,700	222,700	173,558	49,142
Support services				
Pupils:				
Guidance	-	-	498	(498)
Psychological	11,200	11,200	9,488	1,712
Speech pathology	22,000	22,000	18,263	3,737
Student therapy services	19,200	19,200	15,125	4,075
Total expenditures	<u>275,100</u>	<u>275,100</u>	<u>216,932</u>	<u>58,168</u>
Net Change in Fund Balance	(49,100)	(49,100)	64,346	113,446
Fund Balance - Beginning	<u>130,626</u>	<u>130,626</u>	<u>130,626</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 81,526</u>	<u>\$ 81,526</u>	<u>\$ 194,972</u>	<u>\$ 113,446</u>

Grant-Deuel School District 25-3
 Budgetary Comparison Schedules – Budgetary Basis – Pension Fund
 Years Ended June 30, 2015 and 2014

	2015			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 60,000	\$ 60,000	\$ 57,710	\$ (2,290)
Prior year's ad valorem taxes	-	-	275	275
Penalties and interest on taxes	-	-	61	61
Revenue from intermediate sources:				
Revenue in lieu of taxes	-	-	44	44
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>58,090</u>	<u>(1,910)</u>
Expenditures				
Instruction				
Regular programs:				
Elementary	<u>60,000</u>	<u>60,000</u>	<u>35,139</u>	<u>24,861</u>
Total expenditures	<u>60,000</u>	<u>60,000</u>	<u>35,139</u>	<u>24,861</u>
Net Change in Fund Balance	-	-	22,951	22,951
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,951</u>	<u>\$ 22,951</u>

Grant-Deuel School District 25-3
 Budgetary Comparison Schedules – Budgetary Basis – Pension Fund
 Years Ended June 30, 2015 and 2014

	2014			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 52,000	\$ 52,000	\$ 54,107	\$ 2,107
Prior year's ad valorem taxes	-	-	161	161
Penalties and interest on taxes	-	-	110	110
Revenue from intermediate sources:				
Revenue in lieu of taxes	-	-	37	37
Total revenues	<u>52,000</u>	<u>52,000</u>	<u>54,415</u>	<u>2,415</u>
Expenditures				
Instruction				
Regular programs:				
Elementary	<u>52,000</u>	<u>52,000</u>	<u>52,456</u>	<u>(456)</u>
Total expenditures	<u>52,000</u>	<u>52,000</u>	<u>52,456</u>	<u>(456)</u>
Net Change in Fund Balance	-	-	1,959	1,959
Fund Balance - Beginning	<u>(1,959)</u>	<u>(1,959)</u>	<u>(1,959)</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (1,959)</u>	<u>\$ (1,959)</u>	<u>\$ -</u>	<u>\$ 1,959</u>

Note 1 - Basis of Presentation

The budgetary comparison schedules have been prepared on the modified accrual basis of accounting. The budgetary comparison schedules present expenditures for capital outlay purposes within each function while the governmental funds statements of revenues, expenditures and changes in fund balance presents capital outlay expenditures as a separate function.

Note 2 - Budgetary Legal Requirements

Budgets 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 School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
6. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in Number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% of the total School District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
8. If it is determined during the year that sufficient amounts have not been budgeted, State statute allows adoption of supplemental budgets when moneys are available to increase legal spending School District.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Capital Project Funds and Special Revenue Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

Grant-Deuel School District 25-3
 Schedule of Net Pension Liability (Asset)
 June 30, 2015

<u>Pension Plan</u>	<u>Fiscal Year Ending</u>	<u>Employer's Percentage of the Net Pension Asset</u>	<u>Employer's Proportionate Share of the Net Pension Asset (a)</u>	<u>Employer's Covered- Employee Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Asset as a Percentage of its Covered- Employee Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
SDRS	6/30/2014	<u>0.0475%</u>	<u>\$ 342,062</u>	<u>\$ 831,772</u>	<u>41.1%</u>	<u>107.3%</u>

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the School District will present information for those years for which information is available.

Grant-Deuel School District 25-3
 Schedule of Pension Contributions
 June 30, 2015

<u>Pension Plan</u>	<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered- Employee Payroll (d)</u>	<u>Contributions as a Percentage of Covered- Employee Payroll (b/d)</u>
SDRS	6/30/2015	<u>\$ 48,459</u>	<u>\$ 48,459</u>	<u>\$ -</u>	<u>\$ 807,650</u>	<u>6.0%</u>

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the School District will present information for those years for which information is available.

Notes to Required Supplementary Information

There are no factors that affect trends in the amounts reported, such as change of benefit terms and assumptions. With only one year reported in the RSI, there is no additional information to include in notes. Details, if necessary, can be obtained from the SDRS audited financial statements.



CPAs & BUSINESS ADVISORS

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*

The School Board
Grant-Deuel School District 25-3
Reville, 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 Grant-Deuel School District 25-3 (the School District) as of June 30, 2015 and for each of the years in the two year period then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements, and have issued our report thereon dated April 15, 2016.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying auditor’s comments as items 2015-A through 2015-C to be material weaknesses.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which is described in the accompanying auditor's comments as item 2015-C.

Response to Findings

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

Purpose of this Report

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



Aberdeen, South Dakota
April 15, 2016

Status of Prior Auditor Comments

Finding 2013-001

There was a lack of segregation of duties that may result in internal control over financial reporting and compliance to be inadequate.

Current Status: This has not been corrected and is restated as current audit findings 2015-B.

Current Audit Findings and Recommendations

2015-A Preparation of Financial Statements and Footnotes and Significant Journal Entries, Including Correction of Errors, Restatement and GASB 68 Calculations

Condition: Grant-Deuel School District 25-3 requested the external auditors to assist in the preparation of the financial statements and related notes for the two years ended June 30, 2015. As part of the financial statement preparation process, at times we propose material audit adjustments that are not identified as a result of the School District's existing internal controls and; therefore, could result in a misstatement of the School District's financial statements. In addition, we proposed material audit adjustments related to prior year financial statements, which required the restatement of the fiscal year 2014 beginning equity balance. We were also requested to assist in calculations related to GASB 68.

Criteria: The School District's internal control structure should be designed to provide for the preparation of the financial statements and footnotes, which includes having an adequate system for recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

Cause: The limited size of the School District's staff and resources cause the inability to prepare the financial statements and footnotes and could cause the need for auditors to, at times, propose material journal entries.

Effect: This condition may affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Also, a thorough review of the transactions in each fund should take place prior to the beginning of the audit, to ensure generally accepted accounting principles have been followed for each fund type, especially for transaction types infrequent in occurrence.

Management's Response: Management accepts the risk associated with preparation of the final audited financial statements by the independent auditor.

2015-B Lack of Segregation of Duties including Review of Manual Adjusting Journal Entries

Condition: Grant-Deuel School District 25-3 has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in revenue, expenditures and payroll functions because of a lack of segregation of duties including a review of manual adjusting journal entries.

Criteria: A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion as well as a review of manual adjusting journal entries

Cause: The School District has insufficient number of staff to adequately separate duties.

Effect: This condition increases the risk that fraud or errors might occur in the financial reporting process and not be detected and corrected on a timely basis.

Recommendation: Although it is recognized that number of office staff may not be sufficient to permit an adequate segregation of duties in all respects, it is important that management and those charged with governance be aware of this condition. We recommend that the School Board exercise adequate oversight of the accounting function as well as perform a review of manual adjusting journal entries.

Management's Response: Management accepts the risk associated with lack of segregation of duties in the School District.

2015-C Overspending Budget School District

Condition: Grant-Deuel School District 25-3 overspent its budget authority for the Pension Fund by \$456 for the year ended June 30, 2015.

Criteria: SDCL 13-11-2 requires the School District to prepare budgets for each school year by fund. Total expenditures in the above funds exceeded the appropriations identified under this budget process.

Cause: The School District did not create a supplemental budget for unforeseen expenses over the budgeted amount.

Effect: The budgeting process provides an oversight of the School District's annual expenditures. By not closely monitoring expenditures in relation to the budget, this control measure was not fully utilized.

Recommendation: We recommend the Business Manager and School Board more closely monitor expenditures in relation to the adopted budget and adopt supplemental budgets whenever the original budget appears to be insufficient in amount to cover the expenditures of a given fund in a given year.

Management's Response: The School Board and Business Manager will take steps to ensure that supplemental budget amendments are adopted whenever the need arises.