

**IPSWICH SCHOOL DISTRICT NO. 22-6  
IPSWICH, SOUTH DAKOTA  
AUDIT REPORT  
FOR THE YEAR THEN ENDED  
JUNE 30, 2015**

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# CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

School Board  
Ipswich School District No 22-6  
Ipswich, 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, business-type activities, each major fund, and the aggregate remaining fund information of the Ipswich School District No. 22-6, South Dakota (School District) as of June 30, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 15, 2015.

### Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings, 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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings, items 2015-01, 2015-02, and 2015-03 to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ipswich School District No. 22-6's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

School District's Response to Findings

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

Purpose of this Report

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

*Chill Bauer*

Mobridge, South Dakota  
December 15, 2015

**IPSWICH SCHOOL DISTRICT NO. 22-6  
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS  
JUNE 30, 2015**

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**STATUS OF PRIOR AUDIT FINDINGS**

**Finding Number 2014-01:**

Internal control over financial reporting and compliance is not adequate.

**Current Status**

Condition still exists, see current audit finding number 2015-01.

**Finding Number 2014-02:**

Internal control does not provide for identifying misstatements.

**Current Status**

Condition still exists, see current audit finding number 2015-02.

**Finding Number 2014-03:**

The District's internal control structure does not provide for the preparation of financial statements in accordance with generally accepted accounting principles.

**Current Status**

Condition still exists, see current audit finding number 2015-03.

**CURRENT AUDIT FINDINGS AND RECOMMENDATIONS**

**Finding Number 2015-01:**

**Criteria**

The internal control system of a School District can help assist in achieving its performance targets and prevent the loss of resources. It helps to ensure reliable financial reporting and the compliance with laws and regulations.

**Condition Found**

The School District has a limited number of office personnel and, accordingly, does not have adequate internal controls in revenue, expenditures, and payroll functions because of a lack of segregation of duties.

**IPSWICH SCHOOL DISTRICT NO. 22-6  
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS  
JUNE 30, 2015**

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**Effect**

This condition increases the risk that fraud or errors might occur in the financial reporting process.

**Recommendation**

We recommend a high level of awareness be maintained by management to assist in preventing, detecting, or correcting matters that may arise due to this internal control weakness. Compensating controls should be implemented as necessary.

**Corrective Action Plan**

Due to staff size, it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct any matters that may result.

**Finding Number 2015-02:**

**Criteria**

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

**Condition Found**

While conducting our audit, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements.

**Effect**

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

**Recommendation**

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 and other considerations.

**IPSWICH SCHOOL DISTRICT NO. 22-6  
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS  
JUNE 30, 2015**

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**Corrective Action Plan**

The School District is continuing its work in correcting this deficiency.

**Finding Number 2015-03:**

**Criteria**

An organization's internal control structure should provide for the preparation of financial statements in accordance with generally accepted accounting principles.

**Condition Found**

The School District does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with generally accepted accounting principles. As auditors, we were requested to draft the financial statements.

**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**

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.

**Corrective Action Plan**

The School District is continuing its work on correcting this deficiency.



# CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

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School Board  
Ipswich School District No 22-6  
Ipswich, 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 Ipswich School District No. 22-6, as of June 30, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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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 Ipswich School District No. 22-6 as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As described in Note 12 to the financial statements, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in Note 17 to the financial statements, the School District has retroactively restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, Schedule of School District Contributions, and Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) on pages 44 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The School District has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require 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 this missing information.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2015 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

*Calvin Bowen*

Mobridge, South Dakota  
December 15, 2015

**IPSWICH SCHOOL DISTRICT NO. 22-6**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,797,252	\$ 33,709	\$ 1,830,961
Advance payments	5,000	-	5,000
Investments	500,000	-	500,000
Restricted cash	8,914	-	8,914
Restricted investments	1,458,416	-	1,458,416
Taxes receivable	1,764,225	-	1,764,225
Inventories	-	4,628	4,628
Other assets	448,363	14,349	462,712
Net pension asset	750,246	-	750,246
Capital assets			
Land, improvements	94,289	-	94,289
Other capital assets, net depreciation	11,595,346	-	11,595,346
<b>TOTAL ASSETS</b>	<b>18,422,051</b>	<b>52,686</b>	<b>18,474,737</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension related deferred outflows	663,795	-	663,795
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 663,795</b>	<b>\$ -</b>	<b>\$ 663,795</b>

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

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>LIABILITIES</b>			
Accounts payable	\$ 299,192	\$ 11,971	\$ 311,163
Other current liabilities	344,218	4,997	349,215
Noncurrent liabilities:			
Due within one year	407,502	-	407,502
Due in more than one year	8,205,759	-	8,205,759
<b>TOTAL LIABILITIES</b>	<b>9,256,671</b>	<b>16,968</b>	<b>9,273,639</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Taxes levied for future period	1,695,999	-	1,695,999
Pension related deferred inflows	868,911	-	868,911
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,564,910</b>	<b>-</b>	<b>2,564,910</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,189,635	-	3,189,635
Restricted for:			
Capital Outlay	315,529	-	315,529
Special Education	656,792	-	656,792
Pension	42,124	-	42,124
SDRS Pension Purposes	545,130	-	545,130
Unrestricted	2,515,055	35,718	2,550,773
<b>TOTAL NET POSITION</b>	<b>\$ 7,264,265</b>	<b>\$ 35,718</b>	<b>\$ 7,299,983</b>

**IPSWICH SCHOOL DISTRICT NO. 22-6  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-Type Activities	Total	
Governmental activities							
Instruction	\$ 2,103,250	\$ -	202,588	\$(1,900,662)	\$ -	\$(1,900,662)	
Support services	1,251,089	-	8,374	(1,242,715)	-	(1,242,715)	
Nonprogrammed charges	-	21,806	19,346	41,152	-	41,152	
Curricular activities	237,992	20,868	1,026	(216,098)	-	(216,098)	
* Interest on long term debt	187,593	-	-	(187,593)	-	(187,593)	
Total governmental activities	3,779,924	42,674	231,334	(3,505,916)	-	(3,505,916)	
Business-type activities							
Food services	212,429	79,987	141,599	-	9,157	9,157	
Drivers education services	7,045	6,000	-	-	(1,045)	(1,045)	
Total business-type activities	219,474	85,987	141,599	-	8,112	8,112	
Total primary government	\$ 3,999,398	\$ 128,661	\$ 372,933	\$(3,505,916)	\$ 8,112	\$(3,497,804)	
General Revenues							
Taxes							
Property taxes				3,511,067	-	3,511,067	
Utility taxes				380,952	-	380,952	
Revenue from state sources:							
State Aid				464,621	-	464,621	
Unrestricted investments earnings				4,332	16	4,348	
Other general revenues				122,282	-	122,282	
Special item (See Note 20)				(281,192)	-	(281,192)	
Transfers				(1,045)	1,045	-	
Total general revenues and transfers				4,211,017	1,061	4,212,078	
Change in net position				705,101	9,173	714,274	
Net position - beginning				6,156,300	26,545	6,182,845	
Prior period adjustment (See Note 17)				402,864	-	402,864	
Net position - ending				\$ 7,264,265	\$ 35,718	\$ 7,299,983	

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

**IPSWICH SCHOOL DISTRICT NO. 22-6  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	General Fund	Capital Outlay Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 801,681	\$ 332,180
Investments	450,000	-
Restricted cash and cash equivalents	-	-
Restricted investments	-	-
Advance payments	5,000	-
Taxes-receivables	788,456	697,377
Taxes-delinquent	14,446	6,994
Accounts receivable	2,382	-
Due from trust and agency	8,359	-
Due from state government	380,162	-
Due from federal government	22,325	-
	<u>2,472,811</u>	<u>1,036,551</u>
<b>TOTAL ASSETS</b>	<b>\$ 2,472,811</b>	<b>\$ 1,036,551</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 5,406	\$ 39,545
Contracts payable	196,700	-
Payroll deductions and withholdings payable and employer matching payable	26,181	-
	<u>228,287</u>	<u>39,545</u>
<b>Total Liabilities</b>	<b>228,287</b>	<b>39,545</b>
<b>Deferred Inflows of Resources:</b>		
Unavailable revenue - property taxes	13,687	6,574
Taxes levied for future period	767,794	681,477
	<u>781,481</u>	<u>688,051</u>
<b>Total Deferred Inflows of Resources</b>	<b>781,481</b>	<b>688,051</b>
<b>Fund Balances:</b>		
Restricted		
Capital outlay	-	308,955
Capital projects	-	-
Special education	-	-
Pension	-	-
Assigned		
Unemployment	8,005	-
Unassigned	1,455,038	-
	<u>1,463,043</u>	<u>308,955</u>
<b>Total Fund Balance</b>	<b>1,463,043</b>	<b>308,955</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:</b>	<b>\$ 2,472,811</b>	<b>\$ 1,036,551</b>

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

Special Education Fund	Pension Fund	Capital Projects Fund	Total Governmental Funds
\$ 623,519	\$ 39,872	\$ -	\$ 1,797,252
50,000	-	-	500,000
-	-	8,914	8,914
-	-	1,458,416	1,458,416
-	-	-	5,000
191,491	60,994	-	1,738,318
3,606	861	-	25,907
478	-	-	2,860
-	-	-	8,359
-	-	-	380,162
14,492	-	-	36,817
<u>\$ 883,586</u>	<u>\$ 101,727</u>	<u>\$ 1,467,330</u>	<u>\$ 5,962,005</u>
\$ 7,226	\$ -	\$ 247,015	\$ 299,192
28,550	-	-	225,250
3,893	-	-	30,074
<u>39,669</u>	<u>-</u>	<u>247,015</u>	<u>554,516</u>
3,395	810	-	24,466
187,125	59,603	-	1,695,999
<u>190,520</u>	<u>60,413</u>	<u>-</u>	<u>1,720,465</u>
-	-	-	308,955
-	-	1,220,315	1,220,315
653,397	-	-	653,397
-	41,314	-	41,314
-	-	-	8,005
-	-	-	1,455,038
<u>653,397</u>	<u>41,314</u>	<u>1,220,315</u>	<u>3,687,024</u>
<u>\$ 883,586</u>	<u>\$ 101,727</u>	<u>\$ 1,467,330</u>	<u>\$ 5,962,005</u>

**IPSWICH SCHOOL DISTRICT NO. 22-6  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

Total fund balances - governmental funds	\$ 3,687,024
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	750,246
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. The capitalized cost of the capital assets is \$13,211,900 and the accumulated depreciation is (\$1,522,263) for a net amount of \$11,689,635.	11,689,635
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	663,795
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities consist of compensated absences of \$23,252, early retirement benefits payable of \$90,009, bonds payable of \$8,500,000, unamortized bond premium of \$18,525, and accrued interest of \$70,369.	(8,702,155)
Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds.	24,466
Unamortized bond discounts are recorded as assets in the statement of net position but is recorded as an expenditure in the funds.	20,165
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(868,911)</u>
Total net position - governmental funds	<u>\$ 7,264,265</u>

**IPSWICH SCHOOL DISTRICT NO. 22-6**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Capital Outlay Fund
<b>REVENUES:</b>		
Revenue from local sources:		
Taxes:		
Ad valorem taxes	\$ 1,655,553	\$ 1,232,953
Prior years' ad valorem taxes	10,352	4,312
Utility taxes	380,952	-
Penalties and interest on taxes	5,447	3,526
Earnings on investments and deposits	3,092	-
Cocurricular activities:		
Admissions	19,320	-
Other pupil activity income	1,548	-
Other revenue from local sources:		
Rentals	360	-
Charges for services	4,752	-
Other	17,896	11,245
Total revenue from local sources	2,099,272	1,252,036
Revenue from intermediate sources		
County sources:		
County appointment	46,777	-
Revenue in lieu of taxes	1,111	1,537
Other	-	52,950
Total revenue from intermediate sources	47,888	54,487
Revenue from state sources:		
Grants-in-aid:		
Unrestricted grants-in-aid	464,621	-
Restricted grants-in-aid	5,750	-
Total revenue from state sources	470,371	-
Revenue from federal sources:		
Grants-in-aid:		
Restricted grants-in-aid thru state	102,934	-
Other federal revenue	10,000	-
Total revenue from federal sources	112,934	-
Total revenues	\$ 2,730,465	\$ 1,306,523

(Continued on next page)

Special Education Fund	Pension Fund	Capital Projects Fund	Total Governmental Funds
\$ 460,453	\$ 125,573	\$ -	\$ 3,474,532
2,117	521	-	17,302
-	-	-	380,952
1,784	428	-	11,185
-	-	1,240	4,332
-	-	-	19,320
-	-	-	1,548
-	-	-	360
6,255	-	-	11,007
478	-	-	29,619
<u>471,087</u>	<u>126,522</u>	<u>1,240</u>	<u>3,950,157</u>
-	-	-	46,777
573	154	-	3,375
-	-	-	52,950
<u>573</u>	<u>154</u>	<u>-</u>	<u>103,102</u>
-	-	-	464,621
-	-	-	5,750
-	-	-	<u>470,371</u>
90,960	-	-	193,894
-	-	-	10,000
<u>90,960</u>	<u>-</u>	<u>-</u>	<u>203,894</u>
\$ 562,620	\$ 126,676	\$ 1,240	\$ 4,727,524

**IPSWICH SCHOOL DISTRICT NO. 22-6  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Capital Outlay Fund
Expenditures:		
Instruction:		
Regular programs:		
Elementary	\$ 832,848	\$ 7,005
Middle/junior high	208,199	1,793
High school	364,930	89,759
Preschool	48,932	-
Special programs:		
Programs for special education	-	-
Coordinated early intervening services	-	-
Educationally deprived	106,978	-
Total instruction	<u>1,561,887</u>	<u>98,557</u>
Support services:		
Pupils:		
Guidance	51,253	-
Health	1,065	-
Psychological	-	-
Speech pathology	-	-
Student therapy services	-	-
Instructional staff:		
Improvement of instruction	5,750	-
Educational media	101,092	4,615
General administration:		
Board of education	27,844	-
Executive administration	40,513	-
School administration:		
Office of the principal	180,895	-
Other support services	118	-
Business:		
Fiscal services	82,727	2,750
Operation and maintenance of plant	195,461	162,958
Pupil transportation	191,173	23,000
Special education:		
Administrative costs	-	-
Other	-	-
Total support services	<u>\$ 877,891</u>	<u>\$ 193,323</u>

(Continued on next page)

Special Education Fund	Pension Fund	Capital Projects Fund	Total Governmental Funds
\$ -	\$ 37,234	\$ -	\$ 877,087
-	9,464	-	219,456
-	12,670	-	467,359
-	-	-	48,932
282,455	-	-	282,455
6,000	-	-	6,000
-	-	-	106,978
<u>288,455</u>	<u>59,368</u>	<u>-</u>	<u>2,008,267</u>
-	2,369	-	53,622
-	-	-	1,065
17,000	-	-	17,000
63,234	-	-	63,234
46,744	-	-	46,744
-	-	-	5,750
-	2,490	-	108,197
-	-	-	27,844
-	1,680	-	42,193
-	7,500	-	188,395
-	-	-	118
-	3,236	-	88,713
-	4,271	-	362,690
-	-	-	214,173
34,455	-	-	34,455
4,887	-	-	4,887
<u>\$ 166,320</u>	<u>\$ 21,546</u>	<u>\$ -</u>	<u>\$ 1,259,080</u>

**IPSWICH SCHOOL DISTRICT NO. 22-6**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Capital Outlay Fund
Nonprogrammed charges		
Early retirement payments	\$ -	\$ -
Total nonprogrammed charges	-	-
Debt Services	-	441,970
Cocurricular activities:		
Male activities	33,653	-
Female activities	25,441	-
Transportation	32,655	-
Combined activities	74,754	-
Total cocurricular activities	166,503	-
Capital outlay	-	1,401,064
Total expenditures/expenses	2,606,281	2,134,914
Other financing sources (uses)		
Transfers in	-	1,000
Transfers out	(1,045)	-
General long-term debt issued	-	-
Total other financing sources (uses)	(1,045)	1,000
Net change in fund balances	123,139	(827,391)
Fund balance - beginning	1,339,904	1,136,346
Fund balance - ending	\$ 1,463,043	\$ 308,955

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

Special Education Fund	Pension Fund	Capital Projects Fund	Total Governmental Funds
\$ -	\$ 41,086	\$ -	\$ 41,086
-	41,086	-	41,086
-	-	26,450	468,420
-	635	-	34,288
-	698	-	26,139
-	-	-	32,655
-	1,918	-	76,672
-	3,251	-	169,754
-	-	3,177,036	4,578,100
454,775	125,251	3,203,486	8,524,707
-	-	-	1,000
-	-	(1,000)	(2,045)
-	-	2,318,839	2,318,839
-	-	2,317,839	2,317,794
107,845	1,425	(884,407)	(1,479,389)
545,552	39,889	2,104,722	5,166,413
\$ 653,397	\$ 41,314	\$ 1,220,315	\$ 3,687,024

**IPSWICH SCHOOL DISTRICT NO. 22-6  
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT  
OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

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Net change in fund balances - total governmental funds	\$	(1,479,389)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense.		4,312,294
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In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.		(281,192)
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In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government wide 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".		8,048
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Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.		41,086
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These expenses consist of the change in accrued interest of (\$18,340), amortization of bond premiums of \$314, pension expense of \$110,576, and amortization of bond discount (\$1,147).		91,403
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Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.		300,000
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The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements.		(2,318,839)
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Revenues in the statements of activities that do not provide current financial resources are not reported as revenues in the funds (pension revenue).		31,690
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Change in net position of governmental activities	\$	<u>705,101</u>
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**IPSWICH SCHOOL DISTRICT NO. 22-6  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015**

	Food Service Fund	Drivers Education Fund	Total Proprietary Funds
<b>ASSETS:</b>			
Current assets:			
Cash and cash equivalents	\$ 33,709	\$ -	\$ 33,709
Inventory of supplies	482	-	482
Inventory of store purchased for resale	1,826	-	1,826
Inventory of donated foods	2,320	-	2,320
Due from federal government	14,349	-	14,349
<b>Total Current Assets</b>	<b>52,686</b>	<b>-</b>	<b>52,686</b>
Noncurrent assets:			
Machinery and equipment	71,725	-	71,725
Accumulated depreciation	(71,725)	-	(71,725)
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>52,686</b>	<b>-</b>	<b>52,686</b>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts Payable	11,971	-	11,971
Contracts payable	4,450	-	4,450
Benefits payable	547	-	547
<b>Total current liabilities</b>	<b>16,968</b>	<b>-</b>	<b>16,968</b>
<b>TOTAL LIABILITIES</b>	<b>16,968</b>	<b>-</b>	<b>16,968</b>
<b>NET POSITION</b>			
Unrestricted	35,718	-	35,718
<b>TOTAL NET POSITION</b>	<b>\$ 35,718</b>	<b>\$ -</b>	<b>\$ 35,718</b>

**IPSWICH SCHOOL DISTRICT NO. 22-6  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015**

	Food Service Fund	Drivers Education Fund	Total Proprietary Funds
<b>OPERATING REVENUES</b>			
Sales			
To pupils	\$ 68,887	\$ 6,000	\$ 74,887
To adults	5,192	-	5,192
A la carte	2,086	-	2,086
Other charges for goods and services	3,822	-	3,822
Total operating revenues	<u>79,987</u>	<u>6,000</u>	<u>85,987</u>
<b>OPERATING EXPENSES</b>			
Salaries	52,943	5,400	58,343
Employee benefits	21,207	413	21,620
Purchased services	70,400	-	70,400
Supplies	2,587	1,232	3,819
Cost of sales - purchased food	48,758	-	48,758
Cost of sales - donated food	14,650	-	14,650
Other	1,884	-	1,884
Total operating expenses	<u>212,429</u>	<u>7,045</u>	<u>219,474</u>
Operating loss	<u>(132,442)</u>	<u>(1,045)</u>	<u>(133,487)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Local sources			
Interest earnings	16	-	16
Donations	221	-	221
State sources			
State grants	1,259	-	1,259
Federal sources			
Cash reimbursements	126,473	-	126,473
Donated food	13,646	-	13,646
Total nonoperating revenues	<u>141,615</u>	<u>-</u>	<u>141,615</u>
Income before contributions, special items	9,173	(1,045)	8,128
Transfers in	-	1,045	1,045
Change in net position	<u>9,173</u>	<u>-</u>	<u>9,173</u>
Total net position - July 1, 2014	<u>26,545</u>	<u>-</u>	<u>26,545</u>
Total net position - June 30, 2015	<u>\$ 35,718</u>	<u>\$ -</u>	<u>\$ 35,718</u>

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

**IPSWICH SCHOOL DISTRICT NO. 22-6  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	Food Service Fund	Drivers Education Fund	Total Proprietary Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 79,987	\$ 6,000	\$ 85,987
Payments to employees for services	(73,922)	(5,813)	(79,735)
Payments to suppliers of goods and services	(122,508)	(1,232)	(123,740)
Net cash used by operating activities	<u>(116,443)</u>	<u>(1,045)</u>	<u>(117,488)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Donations	221	-	221
Transfers from the general fund	-	1,045	1,045
Operating grants	126,357	-	126,357
Net cash provided by noncapital financing activities	<u>126,578</u>	<u>1,045</u>	<u>127,623</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest earnings	16	-	16
Net cash provided by investing activities	<u>16</u>	<u>-</u>	<u>16</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>10,151</b>	<b>-</b>	<b>10,151</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b><u>23,558</u></b>	<b><u>-</u></b>	<b><u>23,558</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 33,709</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 33,709</u></b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES</b>			
Operating loss	\$ (132,442)	\$ (1,045)	\$ (133,487)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES</b>			
Value of donated commodities used	14,650	-	14,650
Change in assets and liabilities			
Inventories	700	-	700
Accounts and other payables	649	-	649
Net cash used by operating activities	<u>\$ (116,443)</u>	<u>\$ (1,045)</u>	<u>\$ (117,488)</u>
Noncash investing, capital and financing activities:			
Value of commodities received	<u>\$ 13,646</u>	<u>\$ -</u>	<u>\$ 13,646</u>

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

**IPSWICH SCHOOL DISTRICT NO. 22-6**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2015**

	Private-Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 12,042	\$ 33,447
Certificates of deposit	78,058	-
<b>TOTAL ASSETS</b>	<b>90,100</b>	<b>33,447</b>
<b>LIABILITIES</b>		
Amount held for others	-	25,088
Due to general fund	-	8,359
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>33,447</b>
<b>NET POSITION</b>		
Held in trust for scholarships and memorials	\$ 90,100	\$ -

**IPSWICH SCHOOL DISTRICT NO. 22-6  
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2015**

	<u>Private-Purpose Trust Funds</u>
ADDITIONS	
Other additions	\$          874
DEDUCTIONS	
Other deductions	<u>          7,362</u>
Change in net position	(6,488)
Total net position - July 1, 2014	<u>          96,588</u>
Total net position - June 30, 2015	<u><u>          \$      90,100</u></u>

**IPSWICH SCHOOL DISTRICT NO. 22-6  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015  
(See Independent Auditors' Report)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

*a. Financial Reporting Entity*

The reporting entity of the Ipswich School District No. 22-6, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; those organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

*b. Basis of Presentation*

**Government-wide Financial Statements**

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

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

**NOTES TO FINANCIAL STATEMENTS - Page 2**  
**(See Independent Auditors' Report)**

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

**Fund Financial Statements**

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

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

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

**Governmental Funds**

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

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

**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.

**NOTES TO FINANCIAL STATEMENTS - Page 3**  
**(See Independent Auditors' Report)**

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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.

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 qualified employees. This fund is financed by property taxes. This is a major fund.

*Capital Projects Fund - Capital project fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The capital project fund is the only capital project fund maintained by the School District. It is a major fund.*

**Proprietary Funds**

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

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

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

The Drivers Education Fund is an enterprise fund maintained by the School District. This is not a major fund.

**Fiduciary Funds**

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

**NOTES TO FINANCIAL STATEMENTS - Page 4**  
**(See Independent Auditors' Report)**

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**Private-Purpose Trust Funds** - 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 only the following private-purpose trust funds: Gwen Torgler Scholarship, Pearl Callin Award, Barbara Scheele Scholarship, Lenora Hamak Scholarship, and Judge Hembd Award Scholarship.

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

*c. Measurement Focus and Basis of Accounting:*

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

**Measurement Focus**

**Government-wide Financial Statements**

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

*Fund Financial Statements*

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

**Basis of Accounting**

**Government-wide Financial Statements**

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

**NOTES TO FINANCIAL STATEMENTS - Page 5**  
**(See Independent Auditors' Report)**

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Fund Financial Statements

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Ipswich School District No. 22-6, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2015 are expected federal reimbursements, state reimbursements, utility taxes, and miscellaneous reimbursements.

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

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

All Proprietary Funds and Fiduciary Fund Types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

*d. 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:

1. 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.
2. In order to minimized the doubling-up effect on internal service fund activity, certain "centralized expenses" including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the General Fund so that expenses are reported only in the function to which they relate.

**NOTES TO FINANCIAL STATEMENTS - Page 6**  
**(See Independent Auditors' Report)**

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*e. Deposits and Investments*

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

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

*f. Capital Assets:*

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

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

**Government-Wide Statements**

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

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with US GAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with US GAAP.

The total June 30, 2015 balance of capital assets for governmental activities and business-type activities are all valued at original cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which assets 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:

**NOTES TO FINANCIAL STATEMENTS - Page 7**  
**(See Independent Auditors' Report)**

	<b>Capitalization Threshold</b>	<b>Depreciation Method</b>	<b>Estimated Useful Life</b>
Land	Any Amount	N/A	N/A
Improvements, other than buildings	\$ 25,000	Straight-line	14-20 years
Buildings	50,000	Straight-line	50 years
Machinery and equipment	5,000	Straight-line	4-40 years

Land is an inexhaustible capital asset and is not depreciated.

**Fund Financial Statements**

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

*g. 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 governmental-wide or fund financial statements.

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

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.

*h. Program Revenues*

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

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

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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.

*i. Proprietary Funds Revenue and Expense Classifications*

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

*j. Cash and Cash Equivalents:*

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

*k. Equity Classifications*

*Government-wide Financial Statements*

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

1: Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2: Restricted Net Position - Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) 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.

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*l. Application of Net Position*

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

*m. Fund Balance Classification Policies and Procedures*

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

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the School Board.

Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

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

*n. Pensions*

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

**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 District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

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

As of June 30, 2015, all of the School District's investments were in certificates of deposit and SDFIT. The School District's investments total of \$1,458,416 in the SDFIT pool was unrated.

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

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

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**(See Independent Auditors' Report)**

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Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income to the fund making the investment.

**NOTE 3 - RESTRICTED CASH AND INVESTMENTS**

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

\$1,467,330	For Capital Asset construction
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**NOTE 4 - RECEIVABLES AND PAYABLES**

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

**NOTE 5 - INVENTORY**

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

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

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

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied on or before each October 1, attach as an enforceable lien on property, and become due and payable as of the following January 1, and are payable in two installments on or before April 30 and October 31 of the following 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 and 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."

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**NOTE 7 - CHANGES IN CAPITAL ASSETS**

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

	Balance 07/01/14	Increases	Decreases	Balance 06/30/15
Primary Government				
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 94,289	\$ -	\$ -	\$ 94,289
Construction in progress	5,125,924	1,101,363	(5,125,924)	1,101,363
Total capital assets, not being depreciated	<u>5,220,213</u>	<u>1,101,363</u>	<u>(5,125,924)</u>	<u>1,195,652</u>
Capital assets, being depreciated				
Buildings	2,658,319	8,195,494	(327,464)	10,526,349
Improvements other than buildings	831,868	347,912	-	1,179,780
Machinery and equipment	250,862	59,255	-	310,117
Total capital assets, being depreciated	<u>3,741,049</u>	<u>8,602,661</u>	<u>(327,464)</u>	<u>12,016,246</u>
Less accumulated depreciation for				
Buildings	641,570	164,473	(46,272)	759,771
Improvements other than buildings	492,957	77,860	-	570,817
Machinery and equipment	168,202	23,473	-	191,675
Total accumulated depreciation	<u>1,302,729</u>	<u>265,806</u>	<u>(46,272)</u>	<u>1,522,263</u>
Total capital assets, being depreciated, net	<u>2,438,320</u>	<u>8,336,855</u>	<u>(281,192)</u>	<u>10,493,983</u>
Governmental activity capital assets, net	<u>\$ 7,658,533</u>	<u>\$ 9,438,218</u>	<u>\$ (5,407,116)</u>	<u>\$ 11,689,635</u>

Depreciation expense was charged to functions as follows:

	6/30/2015
Governmental activities	
Instructional	\$ 172,759
Support Services	21,230
Cocurricular	71,817
Total depreciation expense - governmental activities	<u>\$ 265,806</u>

**NOTES TO FINANCIAL STATEMENTS - Page 13**  
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	Balance 07/01/14	Increases	Decreases	Balance 06/30/2015
Business-type activities				
Capital assets, being depreciated				
Machinery and equipment	71,725	-	-	71,725
Total capital assets, being depreciated	71,725	-	-	71,725
Less accumulated depreciation for				
Machinery and equipment	71,725	-	-	71,725
Total accumulated depreciation	71,725	-	-	71,725
 Total business-type activities, capital assets, being depreciated, net	-	-	-	-
 Business-type activities capital assets, net	\$ -	\$ -	\$ -	\$ -

Depreciation expense was charged to functions as follows:

	6/30/2015
Business-type activities	
Food Service	\$ -

Construction Work in Progress at June 30, 2015 is composed of the following:

Project Name	Project Authorization	Expended Thru 06/30/2015	Committed	Required Future Financing
Kitchen Remodel/Locker Rooms	\$ 2,300,000	\$ 1,101,363	\$ 1,198,637	\$ -

**NOTE 8 - LONG-TERM DEBT**

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

	Beginning Balance 07/01/14	Additions	Deletions	Ending Balance 06/30/15	Due Within One Year
Primary government					
Governmental activities					
Capital outlay certificates - 2013	6,500,000	-	(300,000)	\$ 6,200,000	\$ 300,000
Capital outlay certificates - 2015	-	2,300,000	-	2,300,000	85,000
Compensated absences	23,252	9,301	(9,301)	23,252	-
Early retirement payable	131,095	-	(41,086)	90,009	22,502
 Total governmental activities	6,654,347	2,309,301	(350,387)	8,613,261	407,502

(Continued on next page)

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Debt payable at June 30, 2015, is comprised of the following:

Capital Outlay Certificates Series 2013, .5% to 2.75% maturing February 1, 2033 paid from Capital Outlay Fund.	\$ 6,200,000
Capital Outlay Certificates Series 2015, .35% to 3.125% maturing February 1, 2035 paid from Capital Outlay Fund.	\$ 2,300,000
Early Retirement Benefits Payable, payments based on 75% of last contract paid over 4 years, paid from the Pension Fund. Details in Note 13.	\$ 90,009
Compensated Absences, payments to be made by the fund that the payroll expenditures are charged within.	<u>23,252</u>
Total long term-debt	<u><u>\$ 8,613,261</u></u>

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

Annual requirements to Maturity for Long-Term Debt as of June 30, 2015:

Year Ending June 30, 2015	Early Retirement	Capital Outlay Certificates - 2013		Capital Outlay Certificates - 2015	
		Principal	Interest	Principal	Interest
2016	\$ 22,502	\$ 300,000	\$ 123,370	\$ 85,000	\$ 57,129
2017	22,502	305,000	121,420	95,000	56,648
2018	22,502	305,000	118,980	95,000	55,888
2019	22,503	310,000	115,930	95,000	54,938
2020	-	310,000	112,365	100,000	53,790
2021-2025	-	1,635,000	484,055	520,000	219,353
2026-2030	-	1,830,000	299,190	610,000	159,260
2031-2035	-	1,205,000	65,978	700,000	67,188
	<u>90,009</u>	<u>6,200,000</u>	<u>1,441,288</u>	<u>2,300,000</u>	<u>724,191</u>

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**NOTE 9 - OPERATING LEASES**

The School District leases a classroom from the Plainview Colony with payments being made from Capital Outlay Fund. The following are the minimum payments required for existing leases:

<u>Year</u>	<u>Amount</u>
2016	\$ 12,558

**NOTE 10 - INDIVIDUAL FUND INTERFUND BALANCES AND INTERFUND TRANSFERS**

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

<u>6/30/2015</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Total</u>
General Fund	\$ -	\$ (1,045)	(1,045)
Drivers Education Fund	1,045	-	1,045
Capital Outlay Fund	1,000	-	1,000
Capital Projects Fund	-	(1,000)	(1,000)
<b>Total</b>	<b>\$ 2,045</b>	<b>\$ (2,045)</b>	<b>\$ -</b>

Transfers from the General Fund to the Driver's Education Fund were made due to the service revenues being in sufficient to support the expenditures of the fund. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

**NOTE 11 - RESTRICTED NET POSITION**

<u>Fund</u>	<u>Restricted By</u>	<u>6/30/2015</u>
Special Education	Law	\$ 656,792
Capital Outlay	Law	315,529
Pension	Law	42,124
SDRS Pension Purposes		545,130
<b>Total Restricted Net Position</b>		<b><u>\$1,559,575</u></b>

These balances are restricted due to statutory requirements.

**NOTE 12 - PENSION PLAN**

**Plan Information:**

All permanent employees working twenty or more hours per week participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established 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 by writing to the SDRS, PO Box 109, Pierre, South Dakota 57501-1098 or by calling (605) 773-3731.

**Benefits Provided:**

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

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

If the SDRS market value funded ratio is 100% or more - 3.1% COLA

If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI  
90% to 99.9% funded - 2.1% minimum and 2.8% maximum COLA  
80% to 90% 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.

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**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% of salary; Class B Judiciary Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the years ended June 30, 2015, 2014, and 2013 was \$110,576, \$107,311, and \$97,778, respectively, equal to the required contributions each year.

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

At June 30, 2014, SDRS is 107.28% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of June 30, 2014 are as follows:

Proportionate share of net position restricted for pension benefits	\$11,046,113
Less proportionate share of total pension liability	<u>10,295,867</u>
Proportionate share of net pension asset	<u><u>\$ 750,246</u></u>

At June 30 2015, the School District reported an asset of \$750,246 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014 and the total pension asset used to calculate the net pension asset was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2014, the School District's proportion was .1041344%.

For the year ended June 30, 2015, the School District recognized pension revenue of \$31,690. At June 30, 2015 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 63,481	\$ -
Changes in assumption	489,738	-
Net difference between projected and actual earnings on pension plan investments	-	868,911
District contributions subsequent to the measurement date	<u>110,576</u>	<u>-</u>
Total	<u>\$ 663,795</u>	<u>\$ 868,911</u>

\$110,576 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:

Year Ended June 30:	
2015	\$ (59,616)
2016	\$ (59,616)
2017	\$ (59,616)
2018	\$ (136,844)
TOTAL	<u>\$ (315,692)</u>

**Actuarial Assumptions:**

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

Inflation	3.25 percent
Salary Increases	5.83 percent at entry to 3.87 percent after 30 years of service

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**(See Independent Auditors' Report)**

Investment Rate of Return	7.25 percent through 2016 and 7.50 percent thereafter, net of pension plan investment expense
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Mortality rates were based on the RP-2000 Employee Mortality Table for males and females, as appropriate.

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

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

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

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**Discount Rate:**

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

**Sensitivity of asset to changes in the discount rate:**

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

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate share of the net pension asset	\$ 741,384	\$ (750,246)	\$ (1,966,825)

**Pension Plan Fiduciary Net Position:**

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

**NOTE 13 - SPECIAL TERMINATION BENEFITS**

The School District has an early retirement policy in which the employees will receive a one-time benefit of 75% of their last contracted salary including co-curricular salary payments, payable in five installments over a five year period of time. The employee must meet the following criteria: the employee has served the School District for at least twenty years and is between the ages of 55 and 62 by June 30 their retirement year, and the Superintendent must receive a written request prior to January 1st of the year in which the retirement is to occur. Currently, three employees are receiving benefits, of which the last payment will be made during fiscal year 2018.

**NOTE 14 - JOINT VENTURES**

The School District participates in the joint venture known as Northern High Technology Module Consortium formed for the purpose of providing technological equipment to the member School Districts.

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

Edmunds Central School District No. 22-5	14.3%
Ipswich School District No. 22-6	14.3%
Groton School District No. 6-3	14.3%
Leola School District No. 44-2	14.3%
Warner School District No.6-5	14.3%
Selby Area School District No. 62-5	14.3%
Ipswich School District No. 22-3	14.2%

The Northern High Technology Module Consortium governing board is composed of the superintendents from each member School District. The Board is responsible for adopting the joint ventures budget and setting service fees at a level adequate to fund the adopted budget.

Debra Swalve of the Edmunds Central School District performs the recordkeeping for this consortium.

The School District retains no equity in the net position of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from the Edmunds Central School District Business Office.

At June 30, 2015, this joint venture had total assets of \$154,829 and net position of \$154,829 and no reported long-term debt outstanding.

**NOTE 15 - RISK MANAGEMENT**

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

*Employee Health Insurance*

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The plans available are as follows:

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The coverage provides a deductible of \$1,500 per person up to \$1,500 per family which includes a \$10 Generic Prescription Drug card, \$35 Brand Name Prescription Drug card, and \$50 Formulary Drug card. The plan also provides for the cosinsurance of 20% up to \$5,000 for single and \$10,000 for family. The coverage also includes a \$2,000,000 lifetime maximum payment per person. It also allows for employees to choose a lower deductible by paying the difference in premiums.

The School District does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

*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.

*Workmen's Compensation*

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provided workers' 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, 2015, the pool's retained risk was \$300,000 per occurrence with additional insurance purchased from a private insurance company for an additional \$700,000 for total coverage of \$1,000,000 per occurrence. There was no additional assessment charged to pool members for the year ended June 30, 2015.

*Unemployment Benefits*

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

The School District has Assigned Fund Balance in the general fund of \$8,005 for the payment of future unemployment benefits.

During the fiscal year ended June 30, 2015, no unemployment benefits were paid. At June 30, 2015 there were no claims filed for unemployment benefits and no claims are anticipated in the next year.

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**(See Independent Auditors' Report)**

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**NOTE 16 - LITIGATION**

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

**NOTE 17 - PRIOR PERIOD ADJUSTMENT**

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

Net Position July 1, 2014, as previously reported	\$ 6,156,300
Restatement for pension accounting:	
Net Pension Asset	293,602
Pension related Deferred Outflows of Resources	<u>109,262</u>
Total increase to Net Position	402,864
Net Position July 1, 2014, as restated	<u><u>\$ 6,559,164</u></u>

**NOTE 18 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

**NOTE 19 - CONTINGENCIES**

The Associated School Boards Health Benefits Fund has a deficit Net Position. As a member of Associated School Districts Health Benefits Fund, the School District has a potential liability. As of June 30, 2014 the School District's estimated share of the liability was \$142,000. This information was not available for the year ended June 30, 2015 at the time the financial statements were issued.

**NOTE 20 - SPECIAL ITEMS**

The School District has reported a special item in the amount of (\$281,192) for the disposal of a heating system in the old school building.

**REQUIRED SUPPLEMENTARY INFORMATION**

**IPSWICH SCHOOL DISTRICT NO. 22-6  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2015**

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget	
	Original	Final			
REVENUES:					
1000	Revenue from Local Sources:				
1100	Taxes:				
1110	Ad Valorem Taxes	\$ 1,400,000	\$ 1,400,000	\$ 1,655,553	\$ 255,553
1120	Prior Years' Ad Valorem Taxes	12,000	12,000	10,352	(1,648)
1140	Utility Taxes	320,000	320,000	380,952	60,952
1190	Penalties and Interest on Taxes	5,000	5,000	5,447	447
1510	Interest	3,000	3,000	3,092	92
1700	Cocurricular Activities:				
1710	Admissions	22,000	22,000	19,320	(2,680)
1790	Other	1,500	1,500	1,548	48
1900	Other Revenue from Local Sources:				
1910	Rentals	1,000	1,000	360	(640)
1970	Charges for Services	12,000	12,000	4,752	(7,248)
1990	Other	10,000	10,000	17,896	7,896
2000	Revenue from Intermediate Sources:				
2100	County Sources:				
2110	County Apportionment	45,000	45,000	46,777	1,777
2200	Revenue in Lieu of taxes	500	500	1,111	611
3000	Revenue from State Sources:				
3110	Unrestricted Grants-in-Aid	618,000	618,000	464,621	(153,379)
3120	Restricted Grains-in-Aid	-	-	5,750	5,750
4000	Revenue from Federal Sources:				
4199	Received Directly from Federal Government Through the State	100,117	100,117	102,934	2,817
4900	Other Federal Revenue	-	-	10,000	10,000
	Total Revenue	\$ 2,550,117	\$ 2,550,117	\$ 2,730,465	\$ 180,348

(Continued on next page)

**IPSWICH SCHOOL DISTRICT NO. 22-6  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2015**

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget	
	Original	Final			
EXPENDITURES:					
1000	Instruction:				
1100	Regular Programs:				
1111	Elementary	\$ 894,183	\$ 894,183	\$ 832,848	\$ 61,335
1120	Middle/Junior High	240,737	240,737	208,199	32,538
1130	High School	413,100	413,100	364,930	48,170
1140	Preschool	48,932	48,932	48,932	-
1200	Special Programs:				
1270	Educationally Deprived	123,342	123,342	106,978	16,364
2000	Support Services:				
2100	Pupils:				
2120	Guidance	52,189	52,189	51,253	936
2130	Health Services	-	1,065	1,065	-
2200	Support Services-Instructional Staff:				
2210	Improvement of Instruction	-	-	5,750	(5,750)
2220	Educational Media	55,728	106,528	101,092	5,436
2300	Support Services-General Administration:				
2310	Board of Education	25,722	28,772	27,844	928
2321	Executive Administration	38,607	40,517	40,513	4
2400	Support Services - School Administration:				
2410	Office of the Principal	178,672	180,972	180,895	77
2490	Other	450	450	118	332
2500	Support Services-Business				
2520	Fiscal Services	83,929	83,929	82,727	1,202
2540	Operation & Maintenance of Plant	180,450	195,100	195,461	(361)
2550	Pupil Transportation	206,750	206,750	191,173	15,577
6000	Cocurricular Activities				
6100	Male Activities	35,032	36,067	33,653	2,414
6200	Female Activities	26,427	26,427	25,441	986
6500	Transportation	35,100	35,100	32,655	2,445
6900	Combined Activities	76,354	78,404	74,754	3,650
7000	Contingencies	80,000	5,008	-	5,008
	Total Expenditures	2,795,704	2,797,572	2,606,281	191,291
	Excess Revenue Over/Under Expenditures	\$ (245,587)	\$ (247,455)	\$ 124,184	\$ 371,639

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**IPSWICH SCHOOL DISTRICT NO. 22-6  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2015**

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Other Financing Sources				
8110 Transfer Out	(1,200)	(1,200)	(1,045)	155
Total Other Financing Sources	(1,200)	(1,200)	(1,045)	155
Net Change in Fund Balances	(246,787)	(248,655)	123,139	371,794
Fund Balance - Beginning	1,339,904	1,339,904	1,339,904	-
Fund Balance - Ending	\$ 1,093,117	\$ 1,091,249	\$ 1,463,043	\$ 371,794

**IPSWICH SCHOOL DISTRICT NO. 22-6  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 CAPITAL OUTLAY FUND  
 FOR THE YEAR ENDED JUNE 30, 2015**

Data	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget
	Original	Final		
REVENUES:				
1000	Revenue from Local Sources:			
1100	Taxes:			
1110	\$ 1,132,900	\$ 1,427,900	\$ 1,232,953	\$ (194,947)
1120	8,000	8,000	4,312	(3,688)
1190	3,500	3,500	3,526	26
1900	Other Revenue from Local Sources:			
1990	-	-	11,245	11,245
2000	Revenue from Intermediate Sources:			
2100	County Sources:			
2200	600	600	1,537	937
2900	105,000	105,000	52,950	(52,050)
	<u>\$ 1,250,000</u>	<u>\$ 1,545,000</u>	<u>\$ 1,306,523</u>	<u>\$ (238,477)</u>
	Total Revenue			

**IPSWICH SCHOOL DISTRICT NO. 22-6  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 CAPITAL OUTLAY FUND  
 FOR THE YEAR ENDED JUNE 30, 2015**

Data	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget
	Original	Final		
1100 Regular Programs:				
1111 Elementary	\$ 20,000	20,000	\$ 7,005	\$ 12,995
1120 Middle/Junior High	6,500	6,500	1,793	4,707
1130 High School	100,500	100,500	89,759	10,741
2000 Support Services:				
2200 Support Services-Instructional Staff:				
2220 Educational Media	5,000	5,000	4,615	385
2500 Support Services-Business				
2520 Fiscal Services	2,800	2,800	2,750	50
2530 Facilities Acquisition and Construction	1,218,194	1,513,194	1,361,365	151,829
2540 Operation & Maintenance of Plant	164,700	164,700	175,613	(10,913)
2550 Pupil Transportation	48,000	50,044	50,044	-
5000 Debt Services	684,306	684,306	441,970	242,336
Total Expenditures	2,250,000	2,547,044	2,134,914	412,130
Excess Revenue Over/Under Expenditures	(1,000,000)	(1,002,044)	(828,391)	173,653
Other Financing Sources				
5110 Transfer In	-	-	1,000	1,000
Total Other Financing Sources	-	-	1,000	1,000
Net Change in Fund Balances	(1,000,000)	(1,002,044)	(827,391)	174,653
Fund Balance - Beginning	1,136,346	1,136,346	1,136,346	-
Fund Balance - Ending	\$ 136,346	\$ 134,302	\$ 308,955	\$ 174,653

**IPSWICH SCHOOL DISTRICT NO. 22-6  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 SPECIAL EDUCATION FUND  
 FOR THE YEAR ENDED JUNE 30, 2015**

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget	
	Original	Final			
REVENUES:					
1000	Revenue from Local Sources:				
1100	Taxes:				
1110	Ad Valorem Taxes	\$ 386,022	\$ 386,022	\$ 460,453	\$ 74,431
1120	Prior Years' Ad Valorem Taxes	3,000	3,000	2,117	(883)
1190	Penalties and Interest on Taxes	1,500	1,500	1,784	284
1900	Other Revenue from Local Sources:				
1970	Charges for Services	7,174	7,174	6,255	(919)
1990	Other	538	538	478	(60)
2000	Revenue from Intermediate Sources:				
2100	County Sources:				
2200	Revenue in Lieu of taxes	200	200	573	373
4000	Revenue from Federal Sources:				
4199	Received Directly from Federal Government Through the State	81,566	81,566	90,960	9,394
	Total Revenue	\$ 480,000	\$ 480,000	\$ 562,620	\$ 82,620

**IPSWICH SCHOOL DISTRICT NO. 22-6  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 SPECIAL EDUCATION FUND  
 FOR THE YEAR ENDED JUNE 30, 2015**

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget	
	Original	Final			
EXPENDITURES:					
1200	Special Programs:				
1220	Programs for Special Education	\$ 306,934	\$ 307,434	\$ 282,455	\$ 24,979
1230	Coordinated Early Intervening Service	-	6,000	6,000	-
2000	Support Services:				
2100	Pupils:				
2140	Psychological Services	17,000	17,000	17,000	-
2150	Speech	61,340	63,340	63,234	106
2170	Student Therapy Services	45,900	47,130	46,744	386
2700	Special Education:				
2710	Administrative Costs	38,826	38,826	34,455	4,371
2750	Other Special Education Costs	10,000	10,000	4,887	5,113
	Total Expenditures	480,000	489,730	454,775	34,955
	Excess Revenue Over/Under Expenditures	-	(9,730)	107,845	117,575
	Net Change in Fund Balances	-	(9,730)	107,845	117,575
	Fund Balance - Beginning	545,552	545,552	545,552	-
	Fund Balance - Ending	\$ 545,552	\$ 535,822	\$ 653,397	\$ 117,575

**IPSWICH SCHOOL DISTRICT NO. 22-6  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 PENSION FUND  
 FOR THE YEAR ENDED JUNE 30, 2015**

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget	
	Original	Final			
REVENUES:					
1000	Revenue from Local Sources:				
1100	Taxes:				
1110	Ad Valorem Taxes	\$ 120,000	\$ 120,000	\$ 125,573	\$ 5,573
1120	Prior Years' Ad Valorem Taxes	1,000	1,000	521	(479)
1190	Penalties and Interest on Taxes	500	500	428	(72)
2000	Revenue from Intermediate Sources:				
2100	County Sources:				
2200	Revenue in Lieu of taxes	64	64	154	90
	Total Revenue	\$ 121,564	\$ 121,564	\$ 126,676	\$ 5,112
EXPENDITURES:					
1000	Instruction:				
1100	Regular Programs:				
1111	Elementary	\$ 36,000	37,240	\$ 37,234	\$ 6
1120	Middle/Junior High	11,140	11,140	9,464	1,676
1130	High School	16,000	16,000	12,670	3,330
2000	Support Services				
2100	Pupils				
2120	Guidance	2,390	2,390	2,369	21
2200	Support Services - Instructional Staff				
2220	Educational Media	2,490	2,490	2,490	-
2300	Support Services - General Admin				
2320	Executive Administration	1,680	1,680	1,680	-
2400	Support Services - School Admin				
2410	Office of the Principal	7,500	7,500	7,500	-

**IPSWICH SCHOOL DISTRICT NO. 22-6  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 PENSION FUND  
 FOR THE YEAR ENDED JUNE 30, 2015**

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
2500 Support Services - Business				
2520 Fiscal Services	3,270	3,270	3,236	34
2540 Operation and Mainenance of Plant	4,800	4,800	4,271	529
4000 Nonprogrammed Charges:				
4500 Early Retirement Payments	41,086	41,086	41,086	-
6000 Cocurricular Activities				
6100 Male Activities	670	670	635	35
6200 Femail Activities	810	810	698	112
6900 Combined Activities	2,135	2,135	1,918	217
Total Expenditures	129,971	131,211	125,251	5,960
Excess Revenue Over/Under Expenditures	(8,407)	(9,647)	1,425	11,072
Net Change in Fund Balances	(8,407)	(9,647)	1,425	11,072
Fund Balance - Beginning	39,889	39,889	39,889	-
Fund Balance - Ending	\$ 31,482	\$ 30,242	\$ 41,314	\$ 11,072

**IPSWICH SCHOOL DISTRICT NO. 22-6  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

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

**NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING**

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

1. At the first regular board meeting in May of each year the School Board prepares 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 five percent of the total School District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternately achieved through general obligation bond indenture provision.
11. Budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

**IPSWICH SCHOOL DISTRICT NO. 22-6  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - Page 2  
FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 2 - GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES**

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

**IPSWICH SCHOOL DISTRICT NO. 22-6  
 SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF  
 THE NET PENSION LIABILITY (ASSET)  
 SOUTH DAKOTA RETIREMENT SYSTEM**

	<u>2015</u>
District's proportion of the net pension liability (asset)	0.1041344%
District's proportionate share of net pension liability (asset)	\$ (750,246)
District's covered-employee payroll	\$ 1,842,933
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-40.709348%
Plan fiduciary net position as a percentage of the total pension liability	107.2868631%

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

**IPSWICH SCHOOL DISTRICT NO. 22-6  
SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS  
SOUTH DAKOTA RETIREMENT SYSTEM**

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	<u>2015</u>
Contractually required contribution	\$ 110,576
Contributions in relation to the contractually required contribution	\$ 110,576
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 1,842,933
Contributions as a percentage of covered-employee payroll	6.00%

**IPSWICH SCHOOL DISTRICT NO. 22-6  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015  
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION  
LIABILITY (ASSET) AND SCHEDULE OF CONTRIBUTIONS**

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**Changes of benefit terms:**

No changes were made.

**Changes of assumptions:**

No changes were made.