

***JAMES VALLEY  
EDUCATIONAL COOPERATIVE  
AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
June 30, 2015***

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

**To the Board of Directors  
James Valley Educational Cooperative  
Mitchell, South Dakota**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of James Valley Educational Cooperative, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise James Valley Educational Cooperative's basic financial statements and have issued our report thereon dated May 24, 2016, which was qualified because management has not implemented 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* affecting its Governmental Activities.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered James Valley Educational Cooperative'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 James Valley Educational Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of James Valley Educational Cooperative's internal control.

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

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

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether James Valley Educational Cooperative's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2015-001.

James Valley Cooperative's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. James Valley Educational Cooperative's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

*Purpose of this Report*

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



Mitchell, South Dakota  
May 24, 2016

*JAMES VALLEY EDUCATIONAL COOPERATIVE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015*

**Finding No. 2015-001**

**Condition Found** – The Cooperative has not had an audit for several years as required by SDCL 4-11-7.1

**Criteria** – SDCL 4-11-7.1 requires a school district to have financial and compliance audits performed at least every two years. The audits shall be performed in accordance with generally accepted government auditing standards. The audits may be done by the Department of Legislative Audit or by a private auditing firm authorized by law to audit the financial records of school districts.

**Effect** – The Cooperative was not in compliance as required by SDCL 4-11-7.1

**Recommendation** – We recommend the Cooperative to conduct a financial and compliance audit at least every two years.

**Management's Response** – Management will conduct audits in the future in accordance with statutory requirements.



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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
James Valley Educational Cooperative  
Mitchell, South Dakota

*Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, and each major fund, of James Valley Educational Cooperative as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the James Valley Educational Cooperative's basic financial statements as listed in the Table of Contents.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles general 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

*Summary of Opinions*

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Unmodified

*Basis for Qualified Opinion on Governmental Activities*

Management has not implemented 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*. The amount by which this departure would affect the assets, fund balance, and revenues of the Governmental Activities has not been determined.

*Qualified Opinion*

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities of James Valley Education Cooperative, as of June 30, 2015, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United State of America.

*Unmodified Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund of James Valley Educational Cooperative as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule on pages 17-18, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2016, on our consideration of James Valley Educational Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering James Valley Educational Cooperative's internal control over financial reporting and compliance.



Mitchell, South Dakota  
May 24, 2016

**JAMES VALLEY EDUCATIONAL COOPERATIVE**  
**STATEMENT OF NET POSITION**  
*June 30, 2015*

	<u>Governmental Activities</u>
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	<u>\$ 72,907</u>
<b>CURRENT LIABILITIES:</b>	
Accounts payable	26,130
Other current liabilities	<u>3,610</u>
<i>Total Current Liabilities</i>	<u>29,740</u>
<b>NET POSITION:</b>	
Unrestricted	<u>\$ 43,167</u>

*The accompanying Notes to Financial Statements are  
an integral part of this statement.*

**JAMES VALLEY EDUCATIONAL COOPERATIVE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Functions/Programs</b>	<i>Expenses</i>	<i>Program Revenues Charges for Services</i>	<i>Net (Expense) Revenue and Changes in Net Position Governmental Activities</i>
<i>Primary Government:</i>			
<i>Governmental Activities:</i>			
<b>Instruction</b>	\$ 279,105	\$ 435,643	\$ 156,538
<b>Support services</b>	149,171	--	(149,171)
<i>Total Governmental Activities</i>	428,276	435,643	7,367
<b>Total Primary Government</b>	\$ 428,276	\$ 435,643	7,367
	<i>Change in Net Position</i>		7,367
	<i>NET POSITION, Beginning of Year</i>		35,800
	<i>NET POSITION, End of Year</i>		\$ 43,167

*The accompanying Notes to Financial Statements are  
an integral part of this statement.*

**JAMES VALLEY EDUCATIONAL COOPERATIVE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUND**  
*June 30, 2015*

	<u>General Fund</u>
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	<u>\$ 72,907</u>
<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$ 26,130
Payroll liabilities	<u>3,610</u>
Total Current Liabilities	<u>29,740</u>
<b>FUND BALANCES:</b>	
Unassigned	<u>43,167</u>
<b>TOTAL LIABILITIES AND FUND BALANCES:</b>	
	<u>\$ 72,907</u>

*The accompanying Notes to Financial Statements are  
an integral part of this statement*

**JAMES VALLEY EDUCATIONAL COOPERATIVE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED June 30, 2015**

	<i>General Fund</i>
<b>REVENUES:</b>	
Tuition and fees	\$ 435,643
<b>OPERATING EXPENDITURES:</b>	
Instruction	279,105
Support services	149,171
Total Operating Expenditures	428,276
Excess of Revenues Over Expenditures	7,367
FUND BALANCE, Beginning of Year	35,800
FUND BALANCE, End of Year	\$ 43,167

*The accompanying Notes to Financial Statements are  
an integral part of this statement.*

**JAMES VALLEY EDUCATIONAL COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2015*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of James Valley Educational Cooperative conform to generally accepted accounting principles as applicable to government entities in the United States of America.

**a. Financial Reporting Entity:**

James Valley Educational Cooperative (the Cooperative) was established as a joint venture among member school districts for the purpose of providing special educational services for member school districts. The Board of Directors is comprised of one representative from each member school district. The Board of Directors is responsible for adopting the Cooperative's budget and setting service fees at a level adequate to fund the adopted budget. The member school districts retain no equity interest in the net position of the Cooperative, but do have a responsibility to fund deficits of the Cooperative in proportion to their relative participation. There are no component units included within the reporting entity.

**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. These statements include the financial activities of the overall Cooperative. The statements distinguish between governmental activities and business-type activities. Governmental activities are generally 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 format (assets minus liabilities equal net position). Net position is displayed in three components, as applicable; net investment in capital assets, restricted, and unrestricted.

The Statement of Activities presents a comparison between direct expense and program revenues for each function of the Cooperative's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by recipients of goods and services offered by the programs.

**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.

An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is a primary operating fund of the Cooperative.

The Cooperative only has one fund.

**JAMES VALLEY EDUCATIONAL COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(continued)*

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, the governmental activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

*Fund Financial Statements:*

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental funds.

**Basis of Accounting:**

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

The governmental fund is accounted for using the modified accrual basis of accounting. Revenues are recognized when 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 Cooperative considers significant revenues reported in the governmental fund to be available if the revenues are collected within 60 days after year-end.

Expenditures are recorded when the related fund liability is incurred.

**JAMES VALLEY EDUCATIONAL COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2015*

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(continued)*

d. **Program Revenues:**

In the government-wide Statement of Activities, reported program revenue is derived directly from the program itself or from other parties, as a whole. Program revenues are classified as follows:

- **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.

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 are 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. **Equity Classifications:**

Government-wide Statements:

It is the Cooperative’s policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for the purposes for which both restricted and unrestricted net position are available. Net position reported in the Statement of Net Position includes the following three components:

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

**JAMES VALLEY EDUCATIONAL COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2015*

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(continued)*

f. **Equity Classifications:** *(continued)*

**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.

g. **Application of Net Position:**

It is the Cooperative'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.

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

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

**JAMES VALLEY EDUCATIONAL COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2015*

**2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK, AND INTEREST RATE RISK:**

The Cooperative 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 Cooperative’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 or at least 100% of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

**3. PENSION PLAN:**

**Plan Information:**

All employees working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer defined pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information.

**JAMES VALLEY EDUCATIONAL COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2015*

**3. PENSION PLAN: (continued)**

**Benefits Provided:**

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

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

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

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

**Contributions:**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2015, 2014, and 2013 were \$24,156, \$22,962, and \$21,143, respectively, equal to the required contributions each year.

**JAMES VALLEY EDUCATIONAL COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2015*

**4. RISK MANAGEMENT:**

The Cooperative 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 Cooperative managed its risks as follows:

**Employee Health Insurance:**

The Cooperative 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 Cooperative 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 coverage also includes a \$2,000,000 lifetime maximum payment per person.

The Cooperative does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have not exceeded the liability coverage.

**Liability Insurance:**

The Cooperative joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota School Districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The Cooperative's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the Cooperative. The Cooperative pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure of type of coverage. The Cooperative pays an annual premium to the pool to provide coverage for:

- Property loss – replacement cost for any single occurrence; excess aggregate property coverage of \$250,000,000
- Boiler and machinery coverage – \$50,000,000
- Automobile and school bus coverage – \$2,000,000 per vehicle per accident
- Bodily injury and property damage – \$2,000,000 per occurrence and no annual aggregate
- Blanket surety bond and crime loss – \$200,000
- School leaders' errors and omissions – \$2,000,000 each occurrence and no annual aggregate
- Umbrella – \$1,000,000

**JAMES VALLEY EDUCATIONAL COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2015*

**4. RISK MANAGEMENT: (continued)**

**Liability Insurance: (continued)**

The agreement with the ASBSD-PLF provides that the above coverages will be provided to a \$6,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for the reinsurance for claims in excess of \$100,000 to the upper limit. The Cooperative carries a \$1,000 deductible for the coverage.

The Cooperative does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the year.

**Workers' Compensation:**

The Cooperative 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 objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of workers' compensation coverage, to obtain lower costs for that coverage and to develop a comprehensive loss control program. The Cooperative's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any workers' compensation claims. The Cooperative pays an annual premium to provide workers' compensation coverage for its employees, under a retrospectively rate policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The Cooperative may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgements. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$1,000,000 per individual per incident.

The Cooperative does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage for the year.

**Unemployment Benefits:**

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

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

**JAMES VALLEY EDUCATIONAL COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2015*

**5. CONTINGENCY:**

**The Cooperative is a member of the South Dakotas School Districts Benefits Fund which has been operating at a deficit for several years. If the Mitchell School District would leave the Fund, they would be liable for their share of the deficit which is potentially a significant amount.**

***REQUIRED SUPPLEMENTARY INFORMATION***

**JAMES VALLEY EDUCATIONAL COOPERATIVE  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED June 30, 2015**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
<i>Charges for Services:</i>				
Tuition and fees	\$ 443,374	\$ 443,374	\$ 435,643	\$ (7,731)
<b>EXPENDITURES:</b>				
Instruction	297,525	297,525	279,105	18,420
Support services	145,849	145,849	149,171	(3,322)
Total Expenditures	443,374	443,374	428,276	15,098
<i>Excess of Revenues over Expenditures</i>	--	--	7,367	7,367
<i>FUND BALANCE, Beginning of Year</i>	35,800	35,800	35,800	--
<i>FUND BALANCE, End of Year</i>	\$ 35,800	\$ 35,800	\$ 43,167	\$ 7,367

*The accompanying Notes to Required Supplementary Information are an integral part of this statement.*

**JAMES VALLEY EDUCATIONAL COOPERATIVE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED June 30, 2015**

**1. BUDGETS AND BUDGETARY ACCOUNTING:**

The Budgetary Comparison Schedule has been prepared on the modified accrual basis of accounting.

James Valley Educational Cooperative followed these procedures in establishing the budgetary data reflected in the schedule:

- a) Prior to the first regular board meeting in May of each year the Cooperative board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b) The proposed budget is considered by the Cooperative Board at the first regular meeting held in the month of May of each year.
- c) The proposed budget is published for public review no later than July 15 each year.
- d) Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e) Before October 1 of each year, the Cooperative Board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
- f) After adoption by the Cooperative board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in item h.
- g) A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total Cooperative budget and may be transferred by resolution of the Cooperative 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.
- h) If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when monies are available to increase legal spending authority.
- i) Unexpended appropriations lapse at year-end unless encumbered by resolution of the board.
- j) Formal budgetary integration is employed as a management control device during the year for the General Fund.
- k) Budgets for the General Fund are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).