

***JAMES VALLEY
EDUCATIONAL COOPERATIVE
AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2016***

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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, 2016, 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 September 15, 2017, 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, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 James Valley Educational Cooperative'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 James Valley Educational Cooperative'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.

A handwritten signature in black ink that reads "CLO Prof LLC". The signature is written in a cursive, somewhat stylized font.

Mitchell, South Dakota
September 15, 2017



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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, 2016, and the related notes to the financial statements, which collectively comprise 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 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 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 James Valley Educational Cooperative'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 James Valley Educational Cooperative'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, deferred outflows of resources, deferred inflows of resources, net position, and expenses 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, 2016, 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, 2016, 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 19-20, 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 Cooperative has omitted the Management's Discussion and Analysis (MD&A) 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 September 15, 2017, 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 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 James Valley Educational Cooperative's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CLO Prof LLC".

Mitchell, South Dakota
September 15, 2017

**JAMES VALLEY EDUCATIONAL COOPERATIVE
STATEMENT OF NET POSITION
JUNE 30, 2016**

	<u>Governmental Activities</u>
CURRENT ASSETS:	
Cash and cash equivalents	<u>\$ 87,550</u>
CURRENT LIABILITIES:	
Accounts payable	1,050
Other current liabilities	<u>30,635</u>
Total Current Liabilities	<u>31,685</u>
NET POSITION:	
Unrestricted	<u>\$ 55,865</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, 2016**

Functions/Programs	<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>			
Instruction	\$ 285,770	\$ 454,456	\$ 168,686
Support services	155,988	--	(155,988)
<i>Total Governmental Activities</i>	441,758	454,456	12,698
Total Primary Government	\$ 441,758	\$ 454,456	12,698
			<i>Change in Net Position</i>
			12,698
			<i>NET POSITION, Beginning of Year</i>
			43,167
			<i>NET POSITION, End of Year</i>
			\$ 55,865

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

**JAMES VALLEY EDUCATIONAL COOPERATIVE
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2016**

	<u>General Fund</u>
CURRENT ASSETS:	
Cash and cash equivalents	\$ 87,550
	<u> </u>
CURRENT LIABILITIES:	
Accounts payable	\$ 1,050
Payroll liabilities	30,635
Total Current Liabilities	<u>31,685</u>
	<u> </u>
FUND BALANCES:	
Unassigned	55,865
	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES:	<u>\$ 87,550</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 FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<i>General Fund</i>
REVENUES:	
Revenue from Local Sources:	
Other Revenue from Local Sources:	
Services provided other LEA's	\$ 454,456
 OPERATING EXPENDITURES:	
Instruction	285,770
Support services	155,988
<i>Total Operating Expenditures</i>	441,758
 <i>Excess of Revenues Over Expenditures</i>	12,698
 FUND BALANCE, Beginning of Year	43,167
FUND BALANCE, End of Year	\$ 55,865

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

*JAMES VALLEY EDUCATIONAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016*

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:*

The reporting entity of James Valley Educational Cooperative consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

The Statement of Net Position reports all financial and capital resources in a net position format (assets minus liabilities equal net position). Net position is displayed in three components, as applicable; net investment in capital assets, restricted (distinguished between major categories of restrictions), 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 fund of the Cooperative financial reporting entity is described below within their respective fund type:

General Fund – A fund established by South Dakota Codified Law (SDCL) 13-16-3 to meet all the general operational costs of the Cooperative. The General Fund is always a major fund.

JAMES VALLEY EDUCATIONAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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. Their revenues are generally recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the Cooperative is 60 days.

Expenditures generally are recorded when the related fund liability is incurred.

JAMES VALLEY EDUCATIONAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

d. **Deposits and Investments:**

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

e. **Program Revenues:**

In the government-wide Statement of Activities, reported program revenues derive directly from the program itself or other parties other than the Cooperative’s taxpayers or citizenry, 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.

f. **Equity Classifications:**

Government-wide Statements:

Equity is classified as and is displayed as follows:

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

Fund Financial Statements:

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

**JAMES VALLEY EDUCATIONAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

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 Cooperative 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 Board of Directors.
- **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/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, 2016

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

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

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 SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731

JAMES VALLEY EDUCATIONAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 Cooperative's share of contributions to the SDRS for the fiscal years ended June 30, 2016, 2015, and 2014 were \$24,819, \$24,156, and \$22,962, respectively, equal to the required contributions each year.

*JAMES VALLEY EDUCATIONAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016*

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, 2016, 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 during the past three years.

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 or 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, 2016

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 past three years.

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 during the past three years.

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, 2016, no claims for unemployment benefits were paid. At June 30, 2016, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**JAMES VALLEY EDUCATIONAL COOPERATIVE
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016 June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Revenues from Local Sources:				
Other Revenues from Local Sources:				
Services provided other LEA's	\$ 454,129	\$ 454,129	\$ 454,456	\$ 327
EXPENDITURES:				
Instruction	303,533	303,533	285,770	17,763
Support services	150,596	150,596	155,988	(5,392)
Total Expenditures	<u>454,129</u>	<u>454,129</u>	<u>441,758</u>	<u>12,371</u>
Excess of Revenues over Expenditures	--	--	12,698	12,698
FUND BALANCE, Beginning of Year	43,167	43,167	43,167	--
FUND BALANCE, End of Year	<u>\$ 43,167</u>	<u>\$ 43,167</u>	<u>\$ 55,865</u>	<u>\$ 12,698</u>

*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, 2016**

1. BUDGETS AND BUDGETARY 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) The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).