

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1

AUDIT REPORT

For the Fiscal Year Ended June 30, 2015

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
SCHOOL DISTRICT OFFICIALS
June 30, 2015

Board Members:

Tim Madsen, Chair
Tera Mau, Vice-Chair
Orson Ward
Gary Keehn
Suzanne Rogers

Superintendent:

Dr. Dan Leikvold

Business Manager:

Margie Rantapaa

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

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

School Board
Lead-Deadwood School District No. 40-1
Lead, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lead-Deadwood School District No. 40-1, 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 March 8, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or 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 the School District's financial statements are free of 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 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 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.



Martin L. Guindon, CPA
Auditor General

March 8, 2016



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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

School Board
Lead-Deadwood School District No. 40-1
Lead, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Lead-Deadwood School District No. 40-1, South Dakota (School District), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2015. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Lead-Deadwood School District No. 40-1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.



Martin L. Guindon, CPA
Auditor General

March 8, 2016

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Audit Findings:

The prior audit report contained no written audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Summary of the Independent Auditor's Results:

Financial Statements

- a. An unmodified opinion was issued on the financial statements of each opinion unit.
- b. No material weaknesses or significant deficiencies were disclosed by our audit of the financial statements.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a).
- f. The federal awards tested as major programs were:
 - 1. Schools and Roads Cluster
 - 2. Special Education Cluster
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- h. Lead-Deadwood School District No. 40-1 did qualify as a low-risk auditee.

Current Federal Audit Findings:

There are no written current federal compliance audit findings to report.

Current Other Audit Findings:

There are no written current other audit findings to report.



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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

School Board
Lead-Deadwood School District No. 40-1
Lead, 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 Lead-Deadwood School District No. 40-1, 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 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 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lead-Deadwood School District No. 40-1 as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard

As described in Note 11 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 11 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, the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of School District Contributions on pages 42 through 47, and 49 through 50 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 (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.

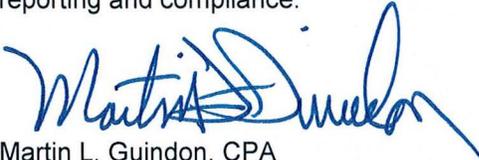
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required by the U.S. Office of Management and Budget Circular A-133, *Audits of*

States, Local Governments, and Non-Profit Organizations listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2016 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, 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 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.



Martin L. Guindon, CPA
Auditor General

March 8, 2016

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
STATEMENT OF NET POSITION
June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 1,809,125.51	\$ 6,948.85	\$ 1,816,074.36
Investments	6,323,150.71	48,102.45	6,371,253.16
Taxes Receivable	4,124,059.22		4,124,059.22
Inventories		7,925.14	7,925.14
Other Assets	351,133.97	9,486.59	360,620.56
Net Pension Asset	2,014,332.33		2,014,332.33
Capital Assets:			
Land, Improvements and Construction in Progress	1,832,186.86		1,832,186.86
Other Capital Assets, Net of Depreciation	9,629,240.33	48,172.04	9,677,412.37
TOTAL ASSETS	\$ 26,083,228.93	\$ 120,635.07	\$ 26,203,864.00
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	\$ 1,788,077.44		\$ 1,788,077.44
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 1,788,077.44	\$ 0.00	\$ 1,788,077.44
LIABILITIES:			
Accounts Payable	\$ 94,321.16	\$ 4,236.11	\$ 98,557.27
Other Current Liabilities	757,213.35	2,203.63	759,416.98
Unearned Revenue		5,274.59	5,274.59
Noncurrent Liabilities:			
Due Within One Year	333,042.00		333,042.00
Due in More than One Year	1,400,259.77	3,423.11	1,403,682.88
TOTAL LIABILITIES	\$ 2,584,836.28	\$ 15,137.44	\$ 2,599,973.72
DEFERRED INFLOWS OF RESOURCES:			
Property Taxes Levied for Future Period	\$ 3,864,419.18		\$ 3,864,419.18
Pension Related Deferred Inflows	2,332,936.42		2,332,936.42
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 6,197,355.60	\$ 0.00	\$ 6,197,355.60
NET POSITION:			
Net Investment in Capital Assets	\$ 10,266,427.19	\$ 48,172.04	\$ 10,314,599.23
Restricted For: (See Note 9)			
Capital Outlay Purposes	555,273.79		555,273.79
Special Education Purposes	38,384.31		38,384.31
Pension Fund Purposes	1,747,186.17		1,747,186.17
SDRS Pension Purposes	1,469,473.35		1,469,473.35
Unrestricted	5,012,369.68	57,325.59	5,069,695.27
TOTAL NET POSITION	\$ 19,089,114.49	\$ 105,497.63	\$ 19,194,612.12

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

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instruction	\$ 5,420,919.39	\$ 31,948.28	\$ 523,849.35	\$ (4,865,121.76)	\$	\$ (4,865,121.76)
Support Services	3,552,958.55	2,019.30	13,275.00	(3,537,664.25)		(3,537,664.25)
Nonprogrammed Charges	255.83			(255.83)		(255.83)
*Interest on Long-Term Debt	54,742.92			(54,742.92)		(54,742.92)
Cocurricular Activities	369,061.29	37,756.36	6,633.33	(324,671.60)		(324,671.60)
**Depreciation-Unallocated	102,276.95			(102,276.95)		(102,276.95)
Total Governmental Activities	9,500,214.93	71,723.94	543,757.68	(8,884,733.31)	0.00	(8,884,733.31)
Business-Type Activities:						
Food Service	383,849.50	157,739.32	217,742.27		(8,367.91)	(8,367.91)
Drivers Ed	4,238.35	4,800.00			561.65	561.65
After School Program	54,905.08	26,684.30			(28,220.78)	(28,220.78)
Total Business-Type Activities	442,992.93	189,223.62	217,742.27	0.00	(36,027.04)	(36,027.04)
Total Primary Government	\$ 9,943,207.86	\$ 260,947.56	\$ 761,499.95	(8,884,733.31)	(36,027.04)	(8,920,760.35)
General Revenues:						
Taxes:						
Property Taxes				9,237,888.01		9,237,888.01
Utility Taxes				107,217.94		107,217.94
Revenue from State Sources:						
State Aid				484,429.82		484,429.82
Other				74,947.48		74,947.48
Revenue from Federal Sources						
Unrestricted Investment Earnings				11,012.61	58.85	11,071.46
Other General Revenues				240,013.37	3,772.50	243,785.87
Transfers				(27,267.28)	27,267.28	0.00
Total General Revenues and Transfers				10,302,246.41	31,098.63	10,333,345.04
Change in Net Position				1,417,513.10	(4,928.41)	1,412,584.69
Net Position - Beginning				16,589,954.28	110,426.04	16,700,380.32
Adjustments:						
GASB 68 Pension Reporting (See Note 11)				1,081,647.11		1,081,647.11
Adjusted Net Position - Beginning				17,671,601.39	110,426.04	17,782,027.43
NET POSITION - ENDING				\$ 19,089,114.49	\$ 105,497.63	\$ 19,194,612.12

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

**This amount excludes the depreciation that is included in the direct expenses of the various functions. (See Note 6)

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

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and Cash Equivalents	\$ 1,034,380.39	\$ 502,553.19	\$ 178,160.67	\$ 94,031.26	\$ 1,809,125.51
Investments	4,677,681.51	13.09		1,645,456.11	6,323,150.71
Taxes Receivable--Current	2,551,408.86	691,959.51	517,244.08	103,806.73	3,864,419.18
Taxes Receivable--Delinquent	190,646.80	40,080.73	23,910.38	5,002.13	259,640.04
Accounts Receivable, Net	1,857.16				1,857.16
Due from Other Governments	315,035.01	18,147.18	13,397.95	2,696.67	349,276.81
TOTAL ASSETS	<u>\$ 8,771,009.73</u>	<u>\$ 1,252,753.70</u>	<u>\$ 732,713.08</u>	<u>\$ 1,850,992.90</u>	<u>\$ 12,607,469.41</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 74,119.41	\$ 5,520.40	\$ 14,681.35	\$	\$ 94,321.16
Contracts Payable	430,856.61		55,591.17		486,447.78
Payroll Deductions and Withholdings and Employer Matching Payable	219,280.14		51,485.43		270,765.57
Total Liabilities	<u>724,256.16</u>	<u>5,520.40</u>	<u>121,757.95</u>	<u>0.00</u>	<u>851,534.51</u>
Deferred Inflows of Resources:					
Property Taxes Levied for Future Period	2,551,408.86	691,959.51	517,244.08	103,806.73	3,864,419.18
Unavailable Revenue-Property Taxes	190,646.80	40,080.73	23,910.38	5,002.13	259,640.04
Unavailable Revenue-Utility Taxes	90,793.24				90,793.24
Total Deferred Inflows of Resources	<u>2,832,848.90</u>	<u>732,040.24</u>	<u>541,154.46</u>	<u>108,808.86</u>	<u>4,214,852.46</u>
Fund Balances:					
Restricted:					
Capital Outlay		515,193.06			515,193.06
Special Education			69,800.67		69,800.67
Pension				1,742,184.04	1,742,184.04
Assigned for Next Year's Budget	496,476.00				496,476.00
Unassigned	4,717,428.67				4,717,428.67
Total Fund Balances	<u>5,213,904.67</u>	<u>515,193.06</u>	<u>69,800.67</u>	<u>1,742,184.04</u>	<u>7,541,082.44</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 8,771,009.73</u>	<u>\$ 1,252,753.70</u>	<u>\$ 732,713.08</u>	<u>\$ 1,850,992.90</u>	<u>\$ 12,607,469.41</u>

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

**LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2015**

Total Fund Balances - Governmental Funds \$ 7,541,082.44

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. 2,014,332.33

Capital assets used in governmental activities are not
current financial resources and therefore are not reported in
the funds. 11,461,427.19

Pension related deferred outflows are components of
pension liability (asset) and therefore are not reported in
the funds. 1,788,077.44

Long-term liabilities, including bonds payable and accrued
longevity payable, are not due and payable in the current
period and therefore are not reported in the funds. (1,733,301.77)

Assets such as taxes receivable (delinquent) and utility taxes
are not available to pay for current period expenditures and
therefore are deferred in the funds. 350,433.28

Pension related deferred inflows are components of
pension liability (asset) and therefore are not reported in
the funds. (2,332,936.42)

Net Position - Governmental Activities \$ 19,089,114.49

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

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LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Revenues:					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	\$ 6,060,086.58	\$ 1,625,936.61	\$ 1,238,147.05	\$ 243,922.91	\$ 9,168,093.15
Prior Years' Ad Valorem Taxes	36,962.15	11,292.28	8,107.57	1,680.81	58,042.81
Utility Taxes	121,094.72				121,094.72
Penalties and Interest on Taxes	18,019.72	4,971.25	3,647.48	733.64	27,372.09
Earnings on Investments and Deposits	8,615.66	244.19	108.10	2,044.66	11,012.61
Cocurricular Activities:					
Admissions	31,859.57				31,859.57
Bookstore Sales	2,019.30				2,019.30
Other Pupil Activity Income	5,896.79				5,896.79
Other Revenue from Local Sources:					
Rentals	11,222.95				11,222.95
Contributions and Donations	13,476.01	18,782.33			32,258.34
Refund of Prior Year's Expenditures	385.00				385.00
Charges for Services	27,361.28		4,587.00		31,948.28
Other	14,159.08	1,200.00			15,359.08
Revenue from Intermediate Sources:					
County Sources:					
County Apportionment	118,934.47				118,934.47
Other	470.00				470.00
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid	484,429.82				484,429.82
Restricted Grants-in-Aid	4,174.18				4,174.18
Other State Revenue	74,947.48				74,947.48
Revenue from Federal Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid Received from Federal Government Through State	624.00				624.00
Unrestricted Grants-in-Aid Received from Federal Government Through an Intermediate Source	173,380.46				173,380.46

Restricted Grants-in-Aid Received from Federal Government Through the State	310,488.16		196,837.00		507,325.16
Total Revenues	<u>7,518,607.38</u>	<u>1,662,426.66</u>	<u>1,451,434.20</u>	<u>248,382.02</u>	<u>10,880,850.26</u>

Expenditures:

Instruction:

Regular Programs:

Elementary	1,568,724.28	196,049.13			1,764,773.41
Middle/Junior High	795,970.38	110,763.70			906,734.08
High School	1,070,097.35	99,608.41			1,169,705.76

Special Programs:

Programs for Special Education		11,222.00	1,091,593.63	33,563.08	1,136,378.71
Educationally Deprived	252,611.91				252,611.91
Other Special Programs	382,003.82	9,115.00			391,118.82

Support Services:

Pupils:

Attendance and Social Work	7,067.52				7,067.52
Guidance	229,811.43	838.66			230,650.09
Health	64,611.68				64,611.68
Psychological		809.11	80,693.01		81,502.12
Speech Pathology			87,504.85		87,504.85
Audiology Services			157.39		157.39
Student Therapy Services			33,674.42		33,674.42

Support Services - Instructional Staff:

Improvement of Instruction	65,052.69	1,130.42			66,183.11
Educational Media	329,501.36	10,485.65			339,987.01

Support Services - General Administration:

Board of Education	75,458.62	17,982.00			93,440.62
Executive Administration	203,389.88	838.66			204,228.54

Support Services - School Administration:

Office of the Principal	458,686.27	5,601.85			464,288.12
Other	2,322.43				2,322.43

Support Services - Business:

Fiscal Services	205,518.21	4,950.00			210,468.21
Operation and Maintenance of Plant	942,176.62	296,465.33			1,238,641.95
Pupil Transportation	153,512.32	54,482.59			207,994.91
Food Services	22,731.40	2,293.47		8,492.26	33,517.13
Internal Services	11,716.38	40,009.83			51,726.21

Support Services - Central:

Planning	1,300.00				1,300.00
Information	4,180.75				4,180.75
Staff	201.00	289.98			490.98

Support Services - Special Education:

Administrative Costs			50,881.99		50,881.99
Transportation Costs			31,334.57		31,334.57
Other Special Education Costs		2,635.39	78,673.09		81,308.48

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015
(Continued)

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Total Governmental Funds</u>
Nonprogrammed Charges:					
Other Nonprogrammed Charges	255.83				255.83
Debt Services		318,993.46			318,993.46
Cocurricular Activities:					
Male Activities	70,696.68	7,205.93			77,902.61
Female Activities	71,692.33	2,097.61			73,789.94
Transportation	15,370.95				15,370.95
Combined Activities	194,597.19	8,586.82			203,184.01
Capital Outlay		236,109.75			236,109.75
Total Expenditures	<u>7,199,259.28</u>	<u>1,438,564.75</u>	<u>1,454,512.95</u>	<u>42,055.34</u>	<u>10,134,392.32</u>
Excess of Revenues Over (Under) Expenditures	<u>319,348.10</u>	<u>223,861.91</u>	<u>(3,078.75)</u>	<u>206,326.68</u>	<u>746,457.94</u>
Other Financing Sources (Uses):					
Transfers In	2,396.95				2,396.95
Transfers Out	(24,448.28)	(244.19)	(108.10)	(2,044.66)	(26,845.23)
General Long-Term Debt Issued		1,195,000.00			1,195,000.00
Sale of Surplus Property	10,507.22				10,507.22
Payment to Refunded Debt Escrow Agency		(1,175,749.46)			(1,175,749.46)
Total Other Financing Sources (Uses)	<u>(11,544.11)</u>	<u>19,006.35</u>	<u>(108.10)</u>	<u>(2,044.66)</u>	<u>5,309.48</u>
Net Change in Fund Balance	307,803.99	242,868.26	(3,186.85)	204,282.02	751,767.42
Fund Balance - Beginning	<u>4,906,100.68</u>	<u>272,324.80</u>	<u>72,987.52</u>	<u>1,537,902.02</u>	<u>6,789,315.02</u>
FUND BALANCE - ENDING	<u>\$ 5,213,904.67</u>	<u>\$ 515,193.06</u>	<u>\$ 69,800.67</u>	<u>\$ 1,742,184.04</u>	<u>\$ 7,541,082.44</u>

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

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACITIVITES
For the Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ 751,767.42
Amounts reported for governmental activities in the Statement of Activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	233,290.75
This amount represents the current year depreciation expense reported in the Statement of Activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	(179,247.80)
In the statement of activities, gains of and losses of 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.	(9,115.43)
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.	1,440,000.00
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.	(1,195,000.00)
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."	(15,620.04)
The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available."	(13,876.78)
Governmental funds recognize expenditures for amounts of longevity benefits actually paid to employees with current financial resources during the fiscal year. Amounts of longevity benefits earned by employees are not recognized in the funds. In the Statement of Activities, expenses for these benefits are recognized when the employees earn longevity credits.	17,488.74
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (e.g., accrued interest revenue, pension revenue)	85,084.65
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	302,741.59
Change in Net Position of Governmental Activities	<u>\$ 1,417,513.10</u>

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

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Enterprise Funds		Total
	Food Service Fund	Other Enterprise Funds	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 2,569.20	\$ 4,379.65	\$ 6,948.85
Investments	48,102.45		48,102.45
Accounts Receivable, Net	1,950.06		1,950.06
Due from State Government	7,536.53		7,536.53
Inventory of Supplies	409.24		409.24
Inventory of Stores Purchased for Resale	7,515.90		7,515.90
Total Current Assets	68,083.38	4,379.65	72,463.03
Noncurrent Assets:			
Capital Assets:			
Machinery and Equipment--Local Funds	101,599.34		101,599.34
Less: Accumulated Depreciation (Credit)	(53,427.30)		(53,427.30)
Total Noncurrent Assets	48,172.04	0.00	48,172.04
TOTAL ASSETS	\$ 116,255.42	\$ 4,379.65	\$ 120,635.07
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 4,117.11	\$ 119.00	\$ 4,236.11
Contracts Payable	737.50		737.50
Payroll Deductions and Withholdings and Employer Matching Payable	1,466.13		1,466.13
Unearned Revenue	5,274.59		5,274.59
Total Current Liabilities	11,595.33	119.00	11,714.33
Noncurrent Liabilities:			
Accrued Leave Payable	3,423.11		3,423.11
TOTAL LIABILITIES	\$ 15,018.44	\$ 119.00	\$ 15,137.44
NET POSITION:			
Net Investment in Capital Assets	\$ 48,172.04	\$	\$ 48,172.04
Unrestricted Net Position	53,064.94	4,260.65	57,325.59
TOTAL NET POSITION	\$ 101,236.98	\$ 4,260.65	\$ 105,497.63

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

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Enterprise Funds		Total
	Food Service Fund	Other Enterprise Funds	
Operating Revenues:			
Food Sales:			
Student	\$ 107,234.99	\$	\$ 107,234.99
Adults	9,229.50		9,229.50
Ala Carte	27,236.88		27,236.88
Other Charges for Goods and Services	14,037.95	31,484.30	45,522.25
Total Operating Revenues	<u>157,739.32</u>	<u>31,484.30</u>	<u>189,223.62</u>
Operating Expenses:			
Salaries	160,835.02	32,313.50	193,148.52
Employee Benefits	45,265.24	15,622.17	60,887.41
Purchased Services	5,273.94	965.66	6,239.60
Supplies	3,448.23	10,097.10	13,545.33
Cost of Sales - Purchased	136,636.18		136,636.18
Cost of Sales - Donated	26,401.18		26,401.18
Other	1,824.75	145.00	1,969.75
Depreciation	3,353.66		3,353.66
Total Operating Expenses	<u>383,038.20</u>	<u>59,143.43</u>	<u>442,181.63</u>
Operating Income (Loss)	<u>(225,298.88)</u>	<u>(27,659.13)</u>	<u>(252,958.01)</u>
Nonoperating Revenues:			
Investment Earnings	55.42	3.43	58.85
Other Local Revenue		2,272.50	2,272.50
State Grants	2,148.40	1,500.00	3,648.40
Federal Grants	189,192.69		189,192.69
Donated Food	26,401.18		26,401.18
Nonoperating Expenses:			
Loss on Sale of Capital Assets	811.30		811.30
Total Nonoperating Revenues (Expenses)	<u>216,986.39</u>	<u>3,775.93</u>	<u>220,762.32</u>
Income (Loss) Before Contributions and Transfers	(8,312.49)	(23,883.20)	(32,195.69)
Capital Contributions	2,819.00		2,819.00
Transfers In		24,448.28	24,448.28
Change in Net Position	(5,493.49)	565.08	(4,928.41)
Net Position - Beginning	<u>106,730.47</u>	<u>3,695.57</u>	<u>110,426.04</u>
NET POSITION - ENDING	<u>\$ 101,236.98</u>	<u>\$ 4,260.65</u>	<u>\$ 105,497.63</u>

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

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Enterprise Funds		Total
	Food Service Fund	Other Enterprise Funds	
Cash Flows from Operating Activities:			
Cash Receipts from Customers	\$ 161,284.29	\$ 31,484.30	\$ 192,768.59
Cash Payments to Employees for Services	(237,355.00)	(49,192.19)	(286,547.19)
Cash Payments to Suppliers of Goods or Services	(145,735.89)	(11,637.48)	(157,373.37)
Net Cash Provided (Used) by Operating Activities	<u>(221,806.60)</u>	<u>(29,345.37)</u>	<u>(251,151.97)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers From General Fund		24,448.28	24,448.28
Contributions and Donations		2,272.50	2,272.50
Operating Grants	189,399.15	1,500.00	190,899.15
Net Cash Flows from Noncapital Financing Activities	<u>189,399.15</u>	<u>28,220.78</u>	<u>217,619.93</u>
Cash Flows from Investing Activities:			
Cash Received for Interest	55.42	3.43	58.85
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (32,352.03)</u>	<u>\$ (1,121.16)</u>	<u>\$ (33,473.19)</u>
Cash and Cash Equivalents at Beginning of Year	\$ 83,023.68	\$ 5,500.81	\$ 88,524.49
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>50,671.65</u>	<u>4,379.65</u>	<u>55,051.30</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (32,352.03)</u>	<u>\$ (1,121.16)</u>	<u>\$ (33,473.19)</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (225,298.88)	\$ (27,659.13)	\$ (252,958.01)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	3,353.66		3,353.66
Value of Donated Commodities Used	26,401.18		26,401.18
Change in Assets and Liabilities:			
Receivables	(1,729.62)		(1,729.62)
Inventories	2,051.60		2,051.60
Accounts and Other Payables	(604.39)	(429.72)	(1,034.11)
Accrued Wages Payable	(11,139.86)	(1,256.52)	(12,396.38)
Accrued Leave Payable	(20,114.88)		(20,114.88)
Unearned Revenue	5,274.59		5,274.59
Net Cash Provided (Used) by Operating Activities	<u>\$ (221,806.60)</u>	<u>\$ (29,345.37)</u>	<u>\$ (251,151.97)</u>
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	\$ 26,401.18		\$ 26,401.18
Equipment Purchased by Capital Outlay Fund	\$ 2,819.00		\$ 2,819.00
Loss on Disposal of Capital Assets Not Affecting Operating Income	\$ 811.30		\$ 811.30

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

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2015

	Private-Purpose Trust Funds	Agency Funds
ASSETS:		
Cash and Cash Equivalents	\$ 132,979.71	\$ 88,696.81
Investments, at Fair Value	4,000.00	
	<u>136,979.71</u>	<u>88,696.81</u>
TOTAL ASSETS	<u>\$ 136,979.71</u>	<u>\$ 88,696.81</u>
LIABILITIES:		
Amounts Held for Others	\$	\$ 88,696.81
NET POSITION:		
Held in Trust for Scholarships and Student Medical	136,979.71	
TOTAL LIABILITIES AND NET POSITION	<u>\$ 136,979.71</u>	<u>\$ 88,696.81</u>

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

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2015

	Private-Purpose Trust Funds
ADDITIONS:	
Earnings from Deposits and Investments	\$ 289.02
DEDUCTIONS:	
Trust Deductions for Scholarships and Student Medical	7,958.89
Change in Net Position	(7,669.87)
Net Position - Beginning	144,649.58
NET POSITION - ENDING	\$ 136,979.71

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

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
NOTES TO THE FINANCIAL STATEMENTS

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 Lead-Deadwood School District No. 40-1 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the 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.

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 are displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by 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 10 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 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

Governmental Funds:

General Fund – A fund established by South Dakota Codified Law (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.

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

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

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

Proprietary Funds:

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

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

Food Service Fund – A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. The School District has elected to report as a major fund.

The remaining Enterprise Fund is not a considered major fund: After School Program/Drivers Education. This fund is financed by user fees and a transfer from the General Fund. This fund is reported on the financial statements as “Other Enterprise Funds.”

Fiduciary Funds:

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

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:

Scholarship Funds – To account for donations and interest earned on the interest bearing accounts to be awarded to various students going on to post-secondary education as scholarships.

Medical Trust Fund – To account for the donations from individuals and the interest earned on the donations. Only the interest earned is used to pay for prescriptions for children who cannot afford them.

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, clubs, and so on.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual

basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental fund types 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 for the School District is 30 days. The revenues which are accrued at June 30, 2015 are grant program reimbursements, rural electric utility tax, telephone gross receipts taxes, property taxes, county apportionment, and charges for goods and services.

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. Unavailable revenues, where asset recognition criteria have been met, but for which revenue recognition criteria have not been met, are reported as a deferred inflow of resources.

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 fund 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. 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 of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

e. Capital Assets:

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

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

Government-wide Financial Statements:

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

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

The total June 30, 2015 balance of capital assets for governmental-type 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 asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All Reported	-----N/A-----	-----N/A-----
Improvements	\$ 25,000	Straight-line	10-75 years
Buildings	\$ 50,000	Straight-line	33-150 years
Machinery and Equipment	\$ 5,000	Straight-line	10-100 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

f. Long-Term Liabilities:

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

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

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

g. Program Revenues:

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

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

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of 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.

i. 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.

j. 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 (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

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

k. 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.

l. 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.

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

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

m. Pensions:

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

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

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

Deposits – The School District's deposits are made in qualified depositories as defined by SDCL4-6A-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 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 on 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.

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, the School District had the following investments:

<u>Investment</u>	<u>Credit Rating</u>	<u>Fair Value</u>
External Investment Pools:		
SDFIT	Unrated	\$ 371,253.16

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.

Concentration of Credit Risk – The School District places no limit on the amount that may be invested in any one issuer.

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.

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

3. RECEIVABLES AND PAYABLES

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

4. INVENTORY

Inventory held for consumption is stated at cost.

Inventory for Resale is stated at the lower of cost or market. The cost valuation method is current cost, First-In-First-Out (FIFO) basis. 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.

5. PROPERTY TAXES

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

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

6. CHANGES IN CAPITAL ASSETS

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

Primary Government

	Balance 7/01/2014	Increases	Decreases	Balance 6/30/2015
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 1,832,186.86	\$	\$	\$ 1,832,186.86
Capital Assets being Depreciated:				
Buildings	10,433,748.51			10,433,748.51
Improvements Other Than Buildings	863,909.40			863,909.40
Machinery and Equipment	1,006,936.13	213,256.12	(130,217.00)	1,089,975.25
Library Books	472,639.18	20,034.63	(22,662.94)	470,010.87
Total Capital Assets being Depreciated	12,777,233.22	233,290.75	(152,879.94)	12,857,644.03
TOTAL CAPITAL ASSETS	\$ 14,609,420.08	\$ 233,290.75	\$ (152,879.94)	\$ 14,689,830.89
Less Accumulated Depreciation for:				
Buildings	\$ (2,164,010.66)	\$ (82,643.71)	\$	\$ (2,246,654.37)
Improvements Other Than Buildings	(115,137.20)	(16,648.81)		(131,786.01)
Machinery and Equipment	(528,356.90)	(60,595.36)	121,101.57	(467,850.69)
Library Books	(385,415.65)	(19,359.92)	22,662.94	(382,112.63)
Total Accumulated Depreciation	(3,192,920.41)	(179,241.80)	143,764.51	(3,228,403.70)
Total Capital Assets being Depreciated, Net	9,584,312.81	54,042.95	(9,115.43)	9,629,240.33
Governmental Activity Capital Assets, Net	\$ 11,416,499.67	\$ 54,042.95	\$ (9,115.43)	\$ 11,461,427.19

Depreciation expense was charged to functions as follows:

Instruction	\$ 14,580.79
Support Services	55,195.85
Cocurricular Activities	9,318.91
Unallocated	100,152.25
Total Depreciation Expense-Governmental Activities	\$ 179,247.80

	Balance 7/01/2014	Increases	Decreases	Balance 6/30/2015
Business-Type Activities:				
Capital Assets being Depreciated:				
Machinery and Equipment	\$ 102,565.94	\$ 2,819.00	\$ (3,785.60)	\$ 101,599.37
Less Accumulated Depreciation for:				
Machinery and Equipment	(53,047.94)	(3,353.66)	2,974.30	(53,427.30)
Business-Type Activity Capital Assets, Net	\$ 49,518.00	\$ (534.66)	\$ (811.30)	\$ 48,172.04

Depreciation expense was charged to functions as follows:

Food Services	\$ 3,353.66
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7. LONG-TERM LIABILITIES

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

	Balance 7/01/2014	Additions	Reductions	Balance 6/30/2015	Amounts Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds and Certificates Payable:					
Capital Outlay Certificates	\$ 1,440,000.00	\$ 1,195,000.00	\$ (1,440,000.00)	\$ 1,195,000.00	\$ 295,000.00
Other Liabilities:					
Longevity Benefits Payable	555,790.51	22,050.72	(39,539.46)	538,301.77	38,042.00
Total Governmental Activities	1,995,790.51	1,217,050.72	(1,479,539.46)	1,733,301.77	333,042.00
Business-Type Activities:					
Other Liabilities:					
Longevity Benefits Payable	23,537.99	1,190.37	(21,305.25)	3,423.11	0.00
Total Primary Government	\$ 2,019,328.50	\$ 1,218,241.09	\$ (1,500,844.71)	\$ 1,736,724.88	\$ 333,042.00

Longevity benefits payable for governmental activities typically have been liquidated from the General Fund and Special Education Fund.

During fiscal year 2015 the School District issued \$1,195,000.00 in Capital Outlay Refunding Certificated Series 2015A with an average interest rate of 1.27 percent to refund the following:

Year Issued	Project	Average Interest Rate	Unpaid Principal at Time of Refunding
2005	Capital Outlay Refunding Certificates	3.85%	\$ 1,175,000.00

The School District refunded the debt to reduce its total debt service payments over the next four years by \$57,027.08 and to obtain an economic gain of \$55,562.80.

The entire proceeds of the refunding issue in the amount of \$1,175,749.46 were deposited into an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded issue. As a result, the refunded issue is considered to be defeased and the liability for that issue has been removed from the financial statements of the School District.

Liabilities payable at June 30, 2015 are comprised of the following:

PRIMARY GOVERNMENT

Governmental Activities:

Capital Outlay Certificates:

2015A Capital Outlay Certificates; 0.75% to 1.5%;
Payable until January 1, 2019; Payable from the
Capital Outlay Fund.

\$ 1,195,000.00

Longevity Benefits Payable:

Payable to an employee who resigns or retirees after
ten consecutive years of employment.

Payment to be made by the fund that the payroll
expenditures are charged to.

\$ 541,724.88

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

Annual Requirements to Maturity for Long-Term Debt
June 30, 2015

Year Ending June 30,	Capital Outlay Certificates Payable	
	Principal	Interest
2016	\$ 295,000.00	\$ 12,668.75
2017	300,000.00	9,912.50
2018	295,000.00	6,418.75
2019	305,000.00	2,287.50
Totals	\$ 1,195,000.00	\$ 31,287.50

8. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

This requirement is effectively met by the statements in this report because the two enterprise funds maintained by the School District, the Food Service Fund, and After School Program/Drivers Education Fund, have been reported separately and therefore, the required segment information has already been disclosed in the fund basic financial statements. Neither fund has any debt that is secured by revenues of the respective funds.

9. RESTRICTED NET POSITION

Restricted Net Position for the year ended June 30, 2015 was as follows:

<u>Purpose</u>	<u>Restricted By</u>	
Major Funds:		
Capital Outlay Purposes	Law	\$ 555,273.79
Special Education Purposes	Law	\$ 38,384.31
Pension Purposes	Law	\$ 1,747,186.17
SDRS Pension Purposes	Law	\$ 1,469,473.35

These balances are restricted due to federal grant and statutory requirements.

10. INTERFUND TRANSFERS

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

<u>Transfers From:</u>	<u>Transfers To:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Other Enterprise Funds</u>	
Major Funds:				
General Fund	\$	\$	\$ 24,448.28	\$ 24,448.28
Capital Outlay Fund	244.19	2,819.00		3,063.19
Special Education Fund	108.10			108.10
Pension Fund	2,044.66			2,044.66
Total	\$ 2,396.95	\$ 2,819.00	\$ 24,448.28	\$ 29,664.23

Transfers to the General Fund were to record the transfer of investment and deposit earnings. SDCL 4-5-9 and 13-16-18 give the school board the authority to designate whether all such earnings should be retained by any individual fund or credited to the General Fund. These interfund transfers are not violations of the statutory restrictions on interfund transfers. The transfer to the Other Enterprise Funds were to help finance the operations of the after school program. The transfer to the Food Service Fund was to record the purchase of capital assets by the Capital Outlay Fund. In the fund financial statements this transfer is reported as expenditures in the Capital Outlay Fund and Capital Contributions in the Food Service Fund.

11. PRIOR PERIOD ADJUSTMENTS

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

Net Position July 1, 2014, as previously reported	\$ 16,589,954.28
Restatement for pension accounting:	
Net Pension Asset	788,291.38
Pension related Deferred Outflows of Resources	<u>293,355.73</u>
Net Position July 1, 2014, as restated	<u>\$ 17,671,601.39</u>

12. PENSION PLAN

Plan Information:

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

Benefits Provided:

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

The annual increase in the amount of the SDRS benefits payable 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 \$302,741.59, \$293,355.73, and \$289,200.69, respectively, equal to the required contributions each year.

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

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

Proportionate share of net position restricted for pension benefits	\$ 29,657,672.21
Less proportionate share of total pension liability	<u>27,643,339.88</u>
Proportionate share of net pension liability (asset)	<u>\$ 2,014,332.33</u>

At June 30 2015, the School District reported a liability (asset) of \$ (2,014,332.33) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2014 and the total pension liability (asset) used to calculate the net pension liability (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 0.2795901%.

For the year ended June 30, 2015, the School District recognized pension expense (revenue) of \$(85,084.65). At June 30, 2015 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience	\$ 170,439.75	\$
Changes in assumption	1,314,896.10	
Net Difference between projected and actual earnings on pension plan investments		2,332,936.42
District contributions subsequent to the measurement date	<u>302,741.59</u>	
TOTAL	<u>\$ 1,788,077.44</u>	<u>\$ 2,332,936.42</u>

\$302,741.59 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

<u>Year Ended June 30,</u>	
2016	\$ (160,061.50)
2017	(160,061.50)
2018	(160,061.50)
2019	<u>(367,416.07)</u>
TOTAL	<u>\$ (847,600.57)</u>

Actuarial Assumptions:

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

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

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

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

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

the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real 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%	

Discount Rate:

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net pension liability (asset)	\$ 1,990,539.21	\$ 2,014,332.33	\$ (5,280,723.08)

Pension Plan Fiduciary Net Position:

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

13. JOINT VENTURES

The School District participates in the joint venture known as the Black Hills Special Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education services to the member school districts.

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

Oelrichs School District No. 23-3	8.33%
Lead-Deadwood School District No. 40-1	8.33%
Spearfish School District No. 40-2	8.33%
Meade School District No. 46-1	8.33%
Rapid City School District No. 51-4	8.33%
Belle Fourche School District No. 9-1	8.33%

Custer School District No. 16-1	8.33%
Douglas School District No. 51-1	8.33%
Edgemont School District No. 23-1	8.33%
Haakon School District No. 27-1	8.33%
Hill City School District No. 51-2	8.33%
Hot Springs School District No. 23-2	8.33%

The co-op's governing board is composed of one representative from each member school district, who is a school board member. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains no equity in the Net Position of the 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 Black Hills Special Services Cooperative, Sturgis, South Dakota.

At June 30, 2015, this joint venture had total assets of \$5,196,856.48, total liabilities of \$1,225,931.90, and net position of \$3,970,924.58.

14. 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 period 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 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 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 not exceeded the liability coverage during the past three years.

Liability Insurance:

The School District 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 School District'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 School District. The School District 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 School District pays an annual premium to the pool to provide coverage for: general liability, automobile liability, school board errors and omissions, employee benefits liability, crime and property damage.

The agreement with the ASBSD-PLF provides that the above coverage's will be provided to a \$2,000,000 limit for the general, automobile, and school board liability, a \$250,000,000 limit for building and contents damage, a \$5,000,000 limit for automobile damage, varying amounts of \$50,000 to \$200,000 for various crime coverage, and varying amounts of \$250,000 to \$100,000,000 for boiler and machinery. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limit. The School District carries a \$0 deductible unless the aggregate is depleted and then a \$2,500 deductible on the general, automobile, and school board liability coverage, \$5,000 deductible for boiler and machinery coverage, \$500 deductible for the building and contents and automobile damage coverage, and \$1,000 deductible for the crime coverage.

The School District 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.

Worker'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 objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District'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 worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. 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. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual per incident.

The School District 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 over the past three years.

Unemployment Benefits:

The School 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, one claim had been filed and was outstanding. It is estimated, based upon historical trends, this claim will result in the future payment of unemployment benefits in the amount of approximately \$1,722.00. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

15. SIGNIFICANT CONTINGENCIES – LITIGATION

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

16. SIGNIFICANT CONTINGENCIES – HEALTH INSURANCE POOL

The South Dakota School District Health Benefits Fund has a deficit Net Position. As a member of the South Dakota School District Health Benefits Fund, the School District has a potential liability. As of June 30, 2015 the School District's estimated share of the liability was \$594,816.00. The South Dakota School District Health Benefits Fund has stated that the Health Benefits Fund has been significantly restructured in FY 2016 from the prior fiscal year to address the deficit Net Position.

REQUIRED SUPPLEMENTARY INFORMATION
LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 5,830,154.00	\$ 5,830,154.00	\$ 6,060,086.58	\$ 229,932.58
Prior Years' Ad Valorem Taxes	70,000.00	70,000.00	36,962.15	(33,037.85)
Utility Taxes	104,670.00	104,670.00	121,094.72	16,424.72
Penalties and Interest on Taxes	22,000.00	22,000.00	18,019.72	(3,980.28)
Earnings on Investments and Deposits	12,000.00	12,000.00	8,615.66	(3,384.34)
Cocurricular Activities:				
Admissions	15,150.00	15,150.00	31,859.57	16,709.57
Bookstore Sales	700.00	700.00	2,019.30	1,319.30
Other Pupil Activity Income	4,973.00	4,973.00	5,896.79	923.79
Other Revenue from Local Sources:				
Rentals	10,660.00	10,660.00	11,222.95	562.95
Contributions and Donations	6,475.00	6,475.00	13,476.01	7,001.01
Refund of Prior Year's Expenditures	0.00	0.00	385.00	385.00
Charges for Services	67,100.00	67,100.00	27,361.28	(39,738.72)
Other	2,700.00	2,700.00	14,159.08	11,459.08
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	109,000.00	109,000.00	118,934.47	9,934.47
Other	0.00	0.00	470.00	470.00
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	467,906.00	467,906.00	484,429.82	16,523.82
Restricted Grants-in-Aid	0.00	0.00	4,174.18	4,174.18
Other State Revenue	85,350.00	85,350.00	74,947.48	(10,402.52)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid				
Received from Federal				
Government Through State	1,000.00	1,000.00	624.00	(376.00)
Unrestricted Grants-in-Aid				
Received from Federal Government				
Through an Intermediate Source	159,000.00	159,000.00	173,380.46	14,380.46
Restricted Grants-in-Aid				
Received from Federal				
Government Through the State	307,366.00	307,366.00	310,488.16	3,122.16
Total Revenues	7,276,204.00	7,276,204.00	7,518,607.38	242,403.38
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	1,557,678.00	1,557,808.00	1,568,724.28	(10,916.28)
Middle/Junior High	811,388.00	811,388.00	795,970.38	15,417.62
High School	1,021,955.00	1,021,955.00	1,070,097.35	(48,142.35)
Special Programs:				
Educationally Deprived	242,775.00	242,775.00	252,611.91	(9,836.91)
Other Special Programs	504,089.00	504,089.00	382,003.82	122,085.18
Support Services:				
Pupils:				
Attendance and Social Work	6,897.00	6,897.00	7,067.52	(170.52)
Guidance	226,098.00	226,098.00	229,811.43	(3,713.43)
Health	65,482.00	65,482.00	64,611.68	870.32
Support Services - Instructional Staff:				
Improvement of Instruction	65,965.00	65,965.00	65,052.69	912.31

REQUIRED SUPPLEMENTARY INFORMATION
LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2015
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Educational Media	315,381.00	315,381.00	329,501.36	(14,120.36)
Support Services - General Administration:				
Board of Education	100,312.00	100,312.00	75,458.62	24,853.38
Executive Administration	204,152.00	204,152.00	203,389.88	762.12
Support Services - School Administration:				
Office of the Principal	461,147.00	461,147.00	458,686.27	2,460.73
Other	5,002.00	5,002.00	2,322.43	2,679.57
Support Services - Business:				
Fiscal Services	201,211.00	201,211.00	205,518.21	(4,307.21)
Operation and Maintenance of Plant	956,448.00	956,448.00	942,176.62	14,271.38
Pupil Transportation	150,531.00	150,531.00	153,512.32	(2,981.32)
Food Services	22,737.00	22,737.00	22,731.40	5.60
Internal Services	12,000.00	12,000.00	11,716.38	283.62
Support Services - Central:				
Planning	1,450.00	1,450.00	1,300.00	150.00
Information	3,181.00	3,181.00	4,180.75	(999.75)
Staff	1,000.00	1,000.00	201.00	799.00
Nonprogrammed Charges:				
Other Nonprogrammed Charges	0.00	0.00	255.83	(255.83)
Occurricular Activities:				
Male Activities	70,003.00	70,003.00	70,696.68	(693.68)
Female Activities	63,292.00	63,292.00	71,692.33	(8,400.33)
Transportation	18,317.00	18,317.00	15,370.95	2,946.05
Combined Activities	219,595.00	219,595.00	194,597.19	24,997.81
Contingencies	10,000.00	10,000.00		
Amount Transferred		0.00		10,000.00
Total Expenditures	<u>7,318,086.00</u>	<u>7,318,216.00</u>	<u>7,199,259.28</u>	<u>118,956.72</u>
Excess of Revenues Over (Under) Expenditures	<u>(41,882.00)</u>	<u>(42,012.00)</u>	<u>319,348.10</u>	<u>361,360.10</u>
Other Financing Sources (Uses):				
Transfers In	3,300.00	3,300.00	2,396.95	(903.05)
Transfers Out	(30,222.00)	(30,222.00)	(24,448.28)	5,773.72
Sale of Surplus Property	0.00	0.00	10,507.22	10,507.22
Total Other Financing Sources (Uses)	<u>(26,922.00)</u>	<u>(26,922.00)</u>	<u>(11,544.11)</u>	<u>15,377.89</u>
Net Change in Fund Balance	(68,804.00)	(68,934.00)	307,803.99	376,737.99
Fund Balance - Beginning	<u>4,906,100.68</u>	<u>4,906,100.68</u>	<u>4,906,100.68</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 4,837,296.68</u>	<u>\$ 4,837,166.68</u>	<u>\$ 5,213,904.67</u>	<u>\$ 376,737.99</u>

REQUIRED SUPPLEMENTARY INFORMATION
LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,584,842.00	\$ 1,584,842.00	\$ 1,625,936.61	\$ 41,094.61
Prior Years' Ad Valorem Taxes	20,000.00	20,000.00	11,292.28	(8,707.72)
Penalties and Interest on Taxes	6,500.00	6,500.00	4,971.25	(1,528.75)
Earnings on Investments and Deposits	600.00	600.00	244.19	(355.81)
Other Revenue from Local Sources:				
Contributions and Donations	4,133.00	4,133.00	18,782.33	14,649.33
Other	0.00	0.00	1,200.00	1,200.00
Total Revenues	1,616,075.00	1,616,075.00	1,662,426.66	46,351.66
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	140,502.00	140,502.00	196,049.13	(55,547.13)
Middle/Junior High	53,246.00	75,742.12	110,763.70	(35,021.58)
High School	102,930.00	102,930.00	127,746.60	(24,816.60)
Special Programs:				
Programs for Special Education	9,179.00	9,179.00	11,222.00	(2,043.00)
Other Special Programs	11,700.00	11,700.00	9,115.00	2,585.00
Support Services:				
Pupils:				
Guidance	837.00	837.00	838.66	(1.66)
Psychological	750.00	750.00	809.11	(59.11)
Support Services - Instructional Staff:				
Improvement of Instruction	95,000.00	95,000.00	1,130.42	93,869.58
Educational Media	72,501.00	72,501.00	75,162.78	(2,661.78)
Support Services - General Administration:				
Board of Education	17,982.00	17,982.00	17,982.00	0.00
Executive Administration	837.00	837.00	838.66	(1.66)
Support Services - School Administration:				
Office of the Principal	5,338.00	5,338.00	5,601.85	(263.85)
Support Services - Business:				
Fiscal Services	4,950.00	4,950.00	4,950.00	0.00
Operation and Maintenance of Plant	315,466.00	315,728.28	335,920.33	(20,192.05)
Pupil Transportation	166,047.00	166,047.00	140,106.59	25,940.41
Food Services	7,294.00	7,294.00	5,112.47	2,181.53
Internal Services	40,021.00	40,021.00	40,009.83	11.17
Support Services - Central:				
Staff	300.00	300.00	289.98	10.02
Support Services - Special Education:				
Other Special Education Costs	0.00	0.00	2,635.39	(2,635.39)
Debt Services	315,569.00	334,819.54	318,993.46	15,826.08
Cocurricular Activities:				
Male Activities	12,565.00	12,565.00	12,830.84	(265.84)
Female Activities	13,524.00	13,524.00	11,869.13	1,654.87
Combined Activities	9,662.00	9,662.00	8,586.82	1,075.18
Total Expenditures	1,396,200.00	1,438,208.94	1,438,564.75	(355.81)
Excess of Revenues Over (Under)				
Expenditures	219,875.00	177,866.06	223,861.91	45,995.85

REQUIRED SUPPLEMENTARY INFORMATION
LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
For the Year Ended June 30, 2015
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Other Financing Sources (Uses):				
Transfers Out	(600.00)	(600.00)	(244.19)	355.81
Proceeds of General Long-Term Debt	0.00	1,195,000.00	1,195,000.00	0.00
Payment to Refunded Debt Escrow Agency	0.00	(1,175,749.46)	(1,175,749.46)	0.00
Total Other Financing Sources (Uses)	<u>(600.00)</u>	<u>18,650.54</u>	<u>19,006.35</u>	<u>355.81</u>
 Net Change in Fund Balance	 219,275.00	 196,516.60	 242,868.26	 46,351.66
Fund Balance - Beginning	<u>272,324.80</u>	<u>272,324.80</u>	<u>272,324.80</u>	<u>0.00</u>
 FUND BALANCE - ENDING	 <u>\$ 491,599.80</u>	 <u>\$ 468,841.40</u>	 <u>\$ 515,193.06</u>	 <u>\$ 46,351.66</u>

REQUIRED SUPPLEMENTARY INFORMATION
LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,199,987.00	\$ 1,199,987.00	\$ 1,238,147.05	\$ 38,160.05
Prior Years' Ad Valorem Taxes	14,000.00	14,000.00	8,107.57	(5,892.43)
Penalties and Interest on Taxes	4,400.00	4,400.00	3,647.48	(752.52)
Earnings on Investments and Deposits	0.00	0.00	108.10	108.10
Other Revenue from Local Sources:				
Charges for Services	14,002.00	14,002.00	4,587.00	(9,415.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	197,122.00	197,156.00	196,837.00	(319.00)
Total Revenues	<u>1,429,511.00</u>	<u>1,429,545.00</u>	<u>1,451,434.20</u>	<u>21,889.20</u>
Expenditures:				
Instruction:				
Special Programs:				
Programs for Special Education	1,141,389.00	1,141,423.00	1,091,593.63	49,829.37
Support Services:				
Pupils:				
Psychological	85,800.00	85,800.00	80,693.01	5,106.99
Speech Pathology	91,400.00	91,400.00	87,504.85	3,895.15
Audiology	0.00	0.00	157.39	(157.39)
Student Therapy Services	31,884.00	31,884.00	33,674.42	(1,790.42)
Support Services - Special Education:				
Administrative Costs	56,624.00	56,624.00	50,881.99	5,742.01
Transportation Costs	30,894.00	30,894.00	31,334.57	(440.57)
Other Special Education Costs	47,460.00	47,460.00	78,673.09	(31,213.09)
Total Expenditures	<u>1,485,451.00</u>	<u>1,485,485.00</u>	<u>1,454,512.95</u>	<u>30,972.05</u>
Excess of Revenues Over (Under) Expenditures	(55,940.00)	(55,940.00)	(3,078.75)	52,861.25
Other Financing Sources (Uses):				
Transfers Out	0.00	0.00	(108.10)	(108.10)
Net Change in Fund Balance	(55,940.00)	(55,940.00)	(3,186.85)	52,753.15
Fund Balance - Beginning	72,987.52	72,987.52	72,987.52	0.00
FUND BALANCE - ENDING	<u>\$ 17,047.52</u>	<u>\$ 17,047.52</u>	<u>\$ 69,800.67</u>	<u>\$ 52,753.15</u>

REQUIRED SUPPLEMENTARY INFORMATION
LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
PENSION FUND
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 237,731.00	\$ 237,731.00	\$ 243,922.91	\$ 6,191.91
Prior Years' Ad Valorem Taxes	3,100.00	3,100.00	1,680.81	(1,419.19)
Penalties and Interest on Taxes	1,000.00	1,000.00	733.64	(266.36)
Earnings on Investments and Deposits	4,100.00	4,100.00	2,044.66	(2,055.34)
Total Revenues	<u>245,931.00</u>	<u>245,931.00</u>	<u>248,382.02</u>	<u>2,451.02</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	20,000.00	20,000.00	0.00	20,000.00
Middle/Junior High	10,000.00	10,000.00	0.00	10,000.00
High School	10,000.00	10,000.00	0.00	10,000.00
Special Programs:				
Programs for Special Education	0.00	0.00	33,563.08	(33,563.08)
Support Services:				
Support Services - Business:				
Food Services	0.00	0.00	8,492.26	(8,492.26)
Total Expenditures	<u>40,000.00</u>	<u>40,000.00</u>	<u>42,055.34</u>	<u>(2,055.34)</u>
Excess of Revenues Over (Under) Expenditures	205,931.00	205,931.00	206,326.68	395.68
Other Financing Sources (Uses):				
Transfers Out	(4,100.00)	(4,100.00)	(2,044.66)	2,055.34
Net Change in Fund Balance	201,831.00	201,831.00	204,282.02	2,451.02
Fund Balance - Beginning	1,537,902.02	1,537,902.02	1,537,902.02	0.00
FUND BALANCE - ENDING	<u>\$ 1,739,733.02</u>	<u>\$ 1,739,733.02</u>	<u>\$ 1,742,184.04</u>	<u>\$ 2,451.02</u>

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.

1. Budgets and Budgetary Accounting:

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

1. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 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.
11. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. USGAAP/Budgetary Accounting Basis Differences:

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

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)**

South Dakota Retirement System

*Last 10 Fiscal Years

	2014
District's proportion of the net pension liability (asset)	0.2795901%
District's proportionate share of net pension liability (asset)	\$ (2,014,332.33)
District's covered employer payroll	\$ 4,889,244.06
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107%

*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. Until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS**

South Dakota Retirement System

*Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 302,741.59
Contributions in relation to the contractually required contribution	<u>302,741.59</u>
Contribution deficiency (excess)	<u>\$ 0.00</u>
District's covered-employee payroll	\$ 5,045,674.61
Contributions as a percentage of covered-employee payroll	6.00%

*Until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Contributions

Changes of benefit terms:

There were changes to the disability and survivor benefits during the 2014 South Dakota Legislative session. In addition, the South Dakota Cement Plant retirement plan was merged into the South Dakota Retirement System as of April 1, 2014.

Changes of assumptions:

During 2014, the SDRS Board of Trustees approved a change in the actuarial assumptions regarding mortality. The mortality assumption was revised to a fully generational application of the RP-2000 Mortality Tables using Scale BB. The use of fully generational tables means that SDRS liabilities reflect an estimate of all future mortality improvements expected to occur throughout the lifetimes of all current SDRS members. The change in mortality assumption increased the Actuarial Accrued Liabilities of SDRS by \$604 million.

As of June 30, 2014, a transfer of \$599 million was made from the Cushion to the Actuarial Value of Assets in order to fund the net impact of the mortality assumption change and the changes to disability and certain survivor benefits that were adopted during the 2014 Legislative Session and will be effective July 1, 2015. As a result, the Actuarial Value Funded Ratio is 100 percent and meets the Funding Policy Objective, and the Risk Management Contribution, the amount by which statutorily required Employer and Member Contributions exceed the actuarially required contributions, will build the Cushion and Reserve for Funding Long-Term Benefit Goals (Reserve) to protect the System against future unfavorable experience.

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures FY 2015
US Department of Agriculture:			
Pass-Through the SD Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555		\$ 26,401.18
Cash Assistance:			
School Breakfast Program (Note 2)	10.553		30,981.83
National School Lunch Program (Note 2)	10.555		146,118.92
Summer Food Service Program for Children	10.559		<u>12,091.94</u>
Total for Child Nutrition Cluster			215,593.87
Other Programs:			
Fresh Fruit and Vegetable Program	10.582		22,731.40
Pass-Through Lawrence County:			
Forest Service Schools and Roads Cluster:			
Schools and Roads - Grants to States (Note 2) (Note 3)	10.665		<u>173,380.46</u>
Total US Department of Agriculture			<u>411,705.73</u>
US Department of Interior:			
Pass-Through the SD Department of Education:			
Distribution of Receipts to State and Local Governments (Note 2)			
	15.227		<u>624.00</u>
National Foundation on the Arts and Humanities:			
Pass-Through the SD Department of Tourism:			
Promotion of the Arts - Partnership Agreements	45.025		<u>525.90</u>
US Department of Education:			
Pass-Through the SD Department of Education:			
Special Education Cluster:			
Special Education - Grants to States (Note 3)	84.027		195,667.80
Special Education - Preschool Grants (Note 3)	84.173		<u>5,226.00</u>
Total for Special Education Cluster			200,893.80
Other Programs:			
Title I Grants to Local Educational Agencies	84.010		195,069.00
Career and Technical Education - Basic Grants to States	84.048		11,642.06
Improving Teacher Quality State Grants	84.367		<u>76,463.00</u>
Total US Department of Education			<u>484,067.86</u>
GRAND TOTAL			<u>\$ 896,923.49</u>

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015
(Continued)

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures FY 2015
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NOTE 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

NOTE 3: This represents a major federal financial assistance program.