

**MENNO SCHOOL DISTRICT NO. 33-2  
OF HUTCHINSON COUNTY**

**AUDIT REPORT**

FISCAL YEAR JULY 1, 2014, TO JUNE 30, 2015

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS  
P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MENNO SCHOOL DISTRICT NO. 33-2  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2015

BOARD MEMBERS:

Kevin Edelman – President  
Mary Schoenfish – Vice-President  
Henry Bender  
Jill Haberman  
Teresa Mettler

SUPERINTENDENT:

Dr. Chris Christensen

BUSINESS MANAGER:

Dale Weiss

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

School Board  
Menno School District No. 33-2  
Menno, 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 Menno School District No. 33-2, 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 October 26, 2015, which was qualified for the governmental activities because other post-employment benefits were not reported.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as item 2015-001 to be a material weakness.

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*.

#### School District's Response to Findings

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

#### Purpose of this Report

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



Schoenfish & Co., Inc.  
Certified Public Accountants  
October 26, 2015

*Schoenfish & Co., Inc.*

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR OTHER AUDIT FINDINGS:

Finding Number 2014-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This comment has not been corrected and is restated as current audit finding number 2015-001.

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SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT AUDIT FINDINGS:

Internal Control – Related Findings– Material Weaknesses:

Finding Number 2015-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This is the seventeenth consecutive audit in which a similar deficiency has occurred.

Criteria:

Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Condition:

A limited number of employees process all revenue transactions from beginning to end. They also receive money, issue receipts, record receipts, post receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare financial statements.

Effect:

As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

RECOMMENDATION:

1. We recommend that the Menno School District officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever, possible and practical.

Management's Response:

The Menno School District Board President, Kevin Edelman, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Menno School District which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are attempting to provide compensating controls.

CLOSING CONFERENCE

The audit was discussed with the officials during the course of the audit and with the Board President, one Board Member, the Superintendent, the Principal, and the Business Manager on November 19, 2015.

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INDEPENDENT AUDITOR'S REPORT

School Board  
Menno School District No. 33-2  
Hutchinson County, 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 Menno School District No. 33-2, 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.

*Basis for Qualified Opinion*

The School District did not record the unfunded liability for other post-employment benefits in the governmental activities. The annual required contribution of the employer was not actuarially determined in accordance with GASB Statement 45 but the liability at June 30, 2015 is potentially a material amount.

*Qualified Opinion*

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Menno School District No. 33-2 as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Unmodified Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Menno School District No. 33-2 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 12 to the financial statements, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in Note 12 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 Management's Discussion and Analysis (MD&A) and the Budgetary Comparison Schedules, the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the School District Contributions on pages 8 through 16, 49 through 53, 55, and 56, respectively, 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

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any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2015 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

*Schoenfish & Co., Inc.*

Schoenfish & Co., Inc.  
Certified Public Accountants  
October 26, 2015

*Schoenfish & Co., Inc.*

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## **Menno School District No. 33-2 Management Discussion and Analysis For the Year Ended June 30, 2015**

This section is to present the financial picture of the Menno School District. This discussion and analysis of the District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; please review the notes to the financial statements and the financial statements to enhance your understanding of the District's financial performance.

### **Financial Highlights**

- The district had an increase of the General Fund Balance which is now \$1,971,685. The increase was \$127,509 in fund balance.
- The district came in under budget in expenditures in the following accounts: Elementary, Middle School, and Secondary funds combined were \$39,600 under, Staff improvement under 7,200, Library was \$3,300 under, Board of Ed was under 1,500, Superintendent's and Principal's offices combined were under \$2,600, Fiscal Services under by 2,000, Transportation was under by 5,500, and Operation of plant was under by \$18,300. We did not need the Unemployment budget of \$1,500. \$7,500 of Student Activities budget was not used. Contingencies budgets were under spent by \$46,443.
- Property and Liability Insurance (21,924), Utilities (70,451), and some transportation costs (34,515), were paid out of Capital Outlay in 2015.
- Gross Receipts taxes received were \$318,630. Made up mostly of Electricity used at the Pipeline Pump Station.
- The Opt out stayed at \$180,000 this year.
- All federal allocations were used up in 2015.
- The Capital outlay fund showed an increase \$241,821 in fund balance to make it now \$1,507,851. We budgeted and spent less than we received in tax revenue.
- In Special Education, we did not need the Extra Ordinary Costs Fund this year. We had a fund balance of \$17,806.
- The Pension fund showed a decrease of \$18,514 due to funding Retirement from the General Fund. Pension Fund Balance is now \$108,780.
- \$185,000 in principal and \$14,700 in interest was paid on debt owed in bond redemption.

### **Overview of the Financial Statements**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The Statement of Net Position and Statement of Activities are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
  1. Governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
  2. Proprietary fund statements offer short and long-term financial information about the activities that the school operates like businesses. The only proprietary fund operated by the school is the Food Service Fund.
  3. Fiduciary fund statements provide information about the financial relationships- like student organization club accounts-in, which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that provide further explanation of some of the information in the financial statements and provide additional disclosures so statement users have a complete picture of the District's financial activities and position. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements by including a comparison of the District's budget data for the year. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

**Figure A-1**

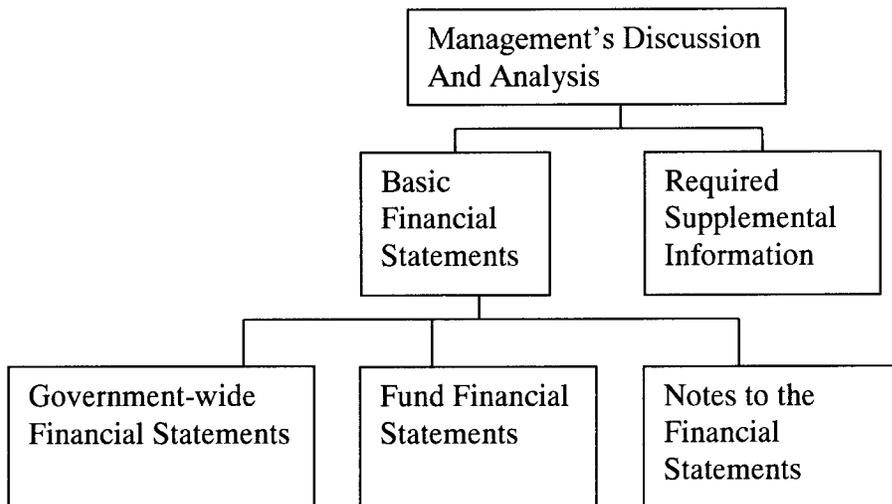


Figure A- 2 summarizes the major features of the School's financial statements, including the portion of the school government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

<b>Figure A-2</b>				
Major Features of Menno School District's Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<b>Scope</b>	<b>Entire School government (except fiduciary funds)</b>	<b>The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs.</b>	<b>Activities the School operates similar to private businesses, the food service operation and driver's education.</b>	<b>Instances in which the School is the trustee or agent for someone else's resources.</b>
<b>Required Financial Statements</b>	<b>*Statement of Net Position *Statement of Activities</b>	<b>*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances</b>	<b>*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows</b>	<b>*Statement of Fiduciary Net Position *Statement of Changes in Fiduciary Net Position</b>
<b>Accounting Basis and Measurement Focus</b>	<b>Accrual accounting and economic resources focus</b>	<b>Modified accrual accounting and current financial resources focus</b>	<b>Accrual accounting and economic resources focus</b>	<b>Accrual accounting and economic resources focus</b>
<b>Type of Asset/Liability Information</b>	<b>All assets and liabilities, both financial and capital, and short-term and long-term</b>	<b>Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included</b>	<b>All assets and liabilities, both financial and capital, and short-term and long-term</b>	<b>All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can</b>
<b>Type of Inflow/Outflow Information</b>	<b>All revenues and expenses during year, regardless of when cash is received or paid</b>	<b>Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter</b>	<b>All revenues and expenses during year, regardless of when cash is received or paid</b>	<b>All revenues and expenses during year, regardless of when cash is received or paid</b>

## Government-wide Statements

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School's changes in net position and how they have changed. Net Position – the difference between the School's assets and liabilities – are one way to measure the School's financial health of position.

- An increase or a decrease in the School's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional nonfinancial factors such as changes in the School's property tax base and changes in the state school aid funding formula from the State of South Dakota.

The government-wide financial statements of the School are reported in two categories:

- **Governmental Activities** – This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselors, executive administration, board of education, fiscal services, etc.) debt services payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants, and interest earnings finance most of these activities.
- **Business – type activities** – the School charges a fee to students or help cover the costs of providing hot lunch services to all students. The Food Service Fund and Driver's Education Fund are the business – type activities of the School.

## Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds – not the School as a whole. Funds are accounting devices that the School uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The School Board establishes other funds to control and manage for particular purposes (like a Scholarship Trust).

The School has three kinds of funds:

- **Governmental Funds** – Most of the School’s basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School’s programs. Because this information does not encompass the additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the School charges customers a fee are generally reported in proprietary funds. Proprietary fund, like the government-wide statements, provide both short- and long-term financial information. They have historically operated as enterprise funds using the same basis of accounting as business type activities; therefore, these statements will essentially match the information provided in the statements for the District as a whole. The Food Service Enterprise Fund and the Driver’s Education Fund (proprietary funds) are the enterprise funds maintained by the District.
- **Fiduciary Funds** – The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School’s fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the School’s government-wide financial statements because the school cannot use these assets to finance its operations.

# Financial Analysis of the School as a Whole

## Net Position

The School's combined net position increase as follows:

**Table A-1**  
Menno School District No. 33-2  
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013-2014	2014-2015	2013-2014	2014-2015	2013-2014	2014-2015
Current & Other Assets	4,561,542	4,970,105	17,822	17,255	4,579,364	4,987,360
Net Pension Asset		673,840			0	673,840
Capital Assets, Net of Depr.	2,975,922	2,877,185	15,339	13,827	2,991,261	2,891,012
<b>Total Assets</b>	<b>7,537,464</b>	<b>8,521,130</b>	<b>33,161</b>	<b>31,082</b>	<b>7,570,625</b>	<b>8,552,212</b>
Deferred Outflows of Resources - Pension Related		596,469			0	596,469
Long-Term Debt Outstanding	760,000	575,000			760,000	575,000
Other Liabilities	294,832	291,128	3,544	10,453	298,376	301,581
<b>Total Liabilities</b>	<b>1,054,832</b>	<b>866,128</b>	<b>3,544</b>	<b>10,453</b>	<b>1,058,376</b>	<b>876,581</b>
Deferred Inflows of Resources						
Unavailable Revenue - Property Taxes	933,559	970,296			933,559	970,296
Pension Related Deferred Inflows		780,420			0	780,420
<b>Total Deferred Inflows of Resources</b>	<b>933,559</b>	<b>1,750,716</b>	<b>0</b>	<b>0</b>	<b>933,559</b>	<b>1,750,716</b>
Net Investment in Capital Assets	2,215,922	2,302,185	15,339	13,827	2,231,261	2,316,012
Restricted	1,490,034	2,226,885			1,490,034	2,226,885
Unrestricted	1,843,117	1,971,685	14,278	6,801	1,857,395	1,978,486
<b>Total Net Position</b>	<b>5,549,073</b>	<b>6,500,755</b>	<b>29,617</b>	<b>20,628</b>	<b>5,578,690</b>	<b>6,521,383</b>
Beginning Net Position	4,975,328	5,549,073	(11,342)	29,617	4,963,986	5,578,690
Prior Period Adjustment for GASB 68		361,835			0	361,835
Restated Beg. Net Position	4,975,328	5,910,908	(11,342)	29,617	4,963,986	5,940,525
Change in Net Position	573,745	589,847	40,959	(8,989)	614,704	580,858
Percentage of Change in Net Position	11.5%	10.0%	361.1%	(30.4%)	12.4%	9.8%

The Statement of Net Position reports all financial and capital resources. The statement presents the assets, deferred outflows of resources, liabilities and deferred inflows of resources in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the school, consisting of general obligation bonds, capital outlay certificates payable, compensated absences payable and early retirement benefits payable have been reported in this manner on the Statement of Net Position. The difference between the school's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is its net position.

## Changes in Net Position

The School's revenues were \$3,760,581. Approximately 25 percent of the revenue came from state aid; two percent from investments and other revenues; and 64 percent from local sources such as property taxes.

The School's expenses were \$3,179,723. Approximately 54 percent of the expenses were spent on instruction of students, 33 percent for support services, and seven percent for student activities.

Table A-2 and the narrative that follows consider the operations of governmental and business-type activities separately.

	Governmental Activities		Business-Type Activities		Total	
	2013-2014	2014-2015	2013-2014	2014-2015	2012-2013	2014-2015
<b>Program Revenues:</b>						
Charges for Services	41,935	42,288	62,460	60,099	104,395	102,387
Operating Grants & Contr.	113,798	89,388	135,298	146,463	249,096	235,851
Capital Grants		1,102			0	1,102
<b>General Revenues:</b>						
Taxes	2,478,436	2,416,541			2,478,436	2,416,541
State Sources	933,763	938,295			933,763	938,295
Federal Sources		1,649				1,649
Unrestricted Investments	7,188	7,825			7,188	7,825
Other	25,410	56,931			25,410	56,931
Total Revenue	<u>3,600,530</u>	<u>3,554,019</u>	<u>197,758</u>	<u>206,562</u>	<u>3,798,288</u>	<u>3,760,581</u>
<b>Expenses:</b>						
Instruction	1,726,651	1,719,729			1,726,651	1,719,729
Support Services	999,591	1,033,572			999,591	1,033,572
Nonprogrammed Charges	34,042				34,042	0
Interest on Long-Term Debt	16,828	14,700			16,828	14,700
Cocurricular Activities	196,636	196,171			196,636	196,171
Food Service			206,418	211,972	206,418	211,972
Driver's Education			3,418	3,579	3,418	3,579
Total Expenses	<u>2,973,748</u>	<u>2,964,172</u>	<u>209,836</u>	<u>215,551</u>	<u>3,183,584</u>	<u>3,179,723</u>
Change in Net Position before Transfers	<u>626,782</u>	<u>589,847</u>	<u>(12,078)</u>	<u>(8,989)</u>	<u>614,704</u>	<u>580,858</u>
Transfers	<u>(53,037)</u>		<u>53,037</u>		<u>0</u>	<u>0</u>
Change in Net Position	<u>573,745</u>	<u>589,847</u>	<u>40,959</u>	<u>(8,989)</u>	<u>614,704</u>	<u>580,858</u>
Prior Period Adjustment for GASB 68		<u>361,835</u>			<u>0</u>	<u>361,835</u>
Net Position - Ending	<u>5,549,073</u>	<u>6,500,755</u>	<u>29,617</u>	<u>20,628</u>	<u>5,578,690</u>	<u>6,521,383</u>

## Governmental Activities

Revenues from the governmental activities decreased due to the following factors:

1. There was a small increase in State allotment per student.
2. Operating grants decreased by 21 percent.
3. Taxes collected decreased by three percent.

Expenses decreased by less than 1 percent in 2015.

## Business-type Activities

Revenues did not increase enough to cover the increase in cost of the food service so we had a negative cash balance. However we had receivables of a higher amount than the cash negative balance. Expenses increased due to payroll and food cost increases. For the Summer Lunch we did not do a direct roll over this year again and took advantage of higher reimbursements. The Driver's Education Fund balance was \$617.

## Financial Analysis of the School's Funds

The financial analysis of the School's funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The District maintains two business-type funds: the Food Service Fund and Driver's Education Fund.

## General Fund Budgetary Highlights

Opt-out taxes were left at \$180,000 this year and are going change to \$165,000 next year. Federal dollars were used as much as possible, and funds were exhausted this year. \$33,557 of the Contingency funds was used this year. Fund balance of the General fund increased a small amount this year. The Menno District will use a 60 day accrual method for showing revenues as deferred inflow. This mainly affects the Gross receipts taxes from the phone companies.

A deficit budget is anticipated next year.

	Original	Final
Revenues	\$ 2,309,650	\$ 2,309,650
Expenditures	2,285,373	2,294,931
Variance	<u>\$ 24,277</u>	<u>\$ 14,719</u>

## Capital Asset Administration

The district spent money on some items this year that affected the Capital Asset numbers. Purchases included a man lift for \$11,950 and a mower for \$7,900.

Table A-3  
Menno School District No. 33-2 - Capital Assets  
(net of depreciation)

	Governmental Activities		Business-Type Activities		Change in Capital Assets
	2013-2014	2014-2015	2013-2014	2014-2015	
Land	58,475	58,475			0
Improvements	494,559	486,504			(8,055)
Buildings	1,944,238	1,868,505			(75,733)
Machinery & Equipment	478,650	463,701	15,339	13,827	(16,461)
Total	<u>2,975,922</u>	<u>2,877,185</u>	<u>15,339</u>	<u>13,827</u>	<u>(100,249)</u>

## Long-Term Debt

At year end the School had \$575,000 in General Obligation Bonds. There are 4 more years to pay on the debt. The bonds were reissued for less interest in June of 2011. The School does not plan on using any long-term debt instruments in the near future.

## Economic Factors and Next Year's Budgets and Rates

Because of an increase in fund balance this year and ongoing Gross Receipts Tax influx from the pipeline; we have lessened next year's tax levy for the opt-out to \$165,000. We expect an increase in a per pupil allocation of about 3.0% from the State Government. As long as student attendance in Menno stays fairly level, the district feels it can operate for some years. We are planning some projects to affect the Capital Outlay fund.

## Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Menno School District's Business Office, 410 5<sup>th</sup> Street, Menno, SD 57045.

**MENNO SCHOOL DISTRICT NO. 33-2**  
**STATEMENT OF NET POSITION**  
**As of June 30, 2015**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b>ASSETS:</b>			
Cash and Cash Equivalents	3,826,433.47	1,485.81	3,827,919.28
Investments	100,000.00		100,000.00
Taxes Receivable	970,295.88		970,295.88
Other Assets	66,813.07	17,287.68	84,100.75
Internal Balances	6,562.44	(6,562.44)	0.00
Inventories		5,043.59	5,043.59
Net Pension Asset	673,839.64		673,839.64
Capital Assets:			
Land	58,475.00		58,475.00
Other Capital Assets, Net of Depreciation	2,818,710.00	13,827.23	2,832,537.23
<b>TOTAL ASSETS</b>	<b>8,521,129.50</b>	<b>31,081.87</b>	<b>8,552,211.37</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	596,468.93		596,468.93
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>596,468.93</b>	<b>0.00</b>	<b>596,468.93</b>
<b>LIABILITIES :</b>			
Accounts Payable	13,973.60	10,453.31	24,426.91
Other Current Liabilities	277,154.45		277,154.45
Noncurrent Liabilities:			
Due Within One Year	190,000.00		190,000.00
Due in More than One Year	385,000.00		385,000.00
<b>TOTAL LIABILITIES</b>	<b>866,128.05</b>	<b>10,453.31</b>	<b>876,581.36</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Property Taxes Levied for Future Period	970,295.88		970,295.88
Pension Related Deferred Inflows	780,419.90		780,419.90
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,750,715.78</b>	<b>0.00</b>	<b>1,750,715.78</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	2,302,185.00	13,827.23	2,316,012.23
Restricted for:			
Capital Outlay Purposes	1,507,850.55		1,507,850.55
Special Education Purposes	17,806.52		17,806.52
Pension Purposes	108,780.12		108,780.12
SDRS Pension Purposes	489,888.67		489,888.67
Debt Service Purposes	102,558.86		102,558.86
Unrestricted (Deficit)	1,971,684.88	6,801.33	1,978,486.21
<b>TOTAL NET POSITION</b>	<b>6,500,754.60</b>	<b>20,628.56</b>	<b>6,521,383.16</b>

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



**MENNO SCHOOL DISTRICT NO. 33-2**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
As of June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
<b>ASSETS:</b>						
Cash and Cash Equivalents	2,155,948.61	1,511,712.52	42,433.36	8,780.12	102,558.86	3,821,433.47
Investments				100,000.00		100,000.00
Advanced Payments	5,000.00					5,000.00
Taxes Receivable--Current	385,772.15	306,691.14	151,096.49	30,669.15	91,291.75	965,520.68
Taxes Receivable--Delinquent	1,931.96	1,436.98	726.30	144.28	535.68	4,775.20
Due from Food Service Fund	6,562.44					6,562.44
Due from Other Government	66,813.07					66,813.07
<b>TOTAL ASSETS</b>	<b>2,622,028.23</b>	<b>1,819,840.64</b>	<b>194,256.15</b>	<b>139,593.55</b>	<b>194,386.29</b>	<b>4,970,104.86</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>						
Liabilities:						
Accounts Payable	10,111.63	3,861.97				13,973.60
Contracts Payable	188,500.02		17,923.40			206,423.42
Payroll Deductions and Withholdings and Employer Matching Payable	64,027.59		6,703.44			70,731.03
<b>Total Liabilities</b>	<b>262,639.24</b>	<b>3,861.97</b>	<b>24,626.84</b>	<b>0.00</b>	<b>0.00</b>	<b>291,128.05</b>
Deferred Inflows of Resources:						
Unavailable Revenue - Property Taxes	1,931.96	1,436.98	726.30	144.28	535.68	4,775.20
Property Taxes Levied for Future Period	385,772.15	306,691.14	151,096.49	30,669.15	91,291.75	965,520.68
<b>Total Deferred Inflows of Resources</b>	<b>387,704.11</b>	<b>308,128.12</b>	<b>151,822.79</b>	<b>30,813.43</b>	<b>91,827.43</b>	<b>970,295.88</b>
Fund Balances:						
Restricted:						
Capital Outlay		1,507,850.55				1,507,850.55
Special Education			17,806.52			17,806.52
Pension				108,780.12		108,780.12
Debt Service					102,558.86	102,558.86
Assigned for Next Year's Budget	7,082.00					7,082.00
Unassigned	1,964,602.88					1,964,602.88
<b>Total Fund Balances</b>	<b>1,971,684.88</b>	<b>1,507,850.55</b>	<b>17,806.52</b>	<b>108,780.12</b>	<b>102,558.86</b>	<b>3,708,680.93</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>2,622,028.23</b>	<b>1,819,840.64</b>	<b>194,256.15</b>	<b>139,593.55</b>	<b>194,386.29</b>	<b>4,970,104.86</b>

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

**MENNO SCHOOL DISTRICT NO. 33-2**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2015**

Total Fund Balances - Governmental Funds	<u>3,708,680.93</u>
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.	<u>673,839.64</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>2,877,185.00</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>596,468.93</u>
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(575,000.00)</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(780,419.90)</u>
Net Position - Governmental Activities	<u><u>6,500,754.60</u></u>

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

**MENNO SCHOOL DISTRICT NO. 33-2**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>						
Revenue from Local Sources:						
Taxes:						
Ad Valorem Taxes	852,928.58	635,809.44	327,342.23	63,640.90	204,004.11	2,083,725.26
Prior Years' Ad Valorem Taxes	5,344.24	2,662.50	1,399.62	266.98	963.60	10,636.94
Utility Taxes	318,629.54					318,629.54
Penalties and Interest on Taxes	2,205.16	667.48	371.61	66.99	238.26	3,549.50
Tuition and Fees:						
Student Tuition	739.86					739.86
Earnings on Investments and Deposits	4,182.06	2,914.17		386.03	342.37	7,824.63
Cocurricular Activities:						
Admissions	18,922.00					18,922.00
Other Pupil Activity Income	22,625.76					22,625.76
Other Revenue from Local Sources:						
Rentals	4,399.27					4,399.27
Charges for Services	3,342.34		396.00			3,738.34
Other	8,737.88	803.76				9,541.64
Revenue from Intermediate Sources:						
County Sources:						
County Apportionment	14,527.29					14,527.29
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid	938,295.25					938,295.25
Restricted Grants-in-Aid	8,750.00					8,750.00
Revenue from Federal Sources:						
Grants-in-Aid:						
Restricted Grants-in-Aid Received from Federal Government Through an Intermediate Source	1,648.86					1,648.86
Restricted Grants-in-Aid Received from Federal Government Through the State	76,899.80					76,899.80
<b>Total Revenue</b>	<b>2,282,177.89</b>	<b>642,857.35</b>	<b>329,509.46</b>	<b>64,360.90</b>	<b>205,548.34</b>	<b>3,524,453.94</b>

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

**MENNO SCHOOL DISTRICT NO. 33-2**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
<b>Expenditures:</b>						
Instruction:						
Regular Programs:						
Elementary	605,770.94	37,740.69		27,295.35		670,806.98
Middle/Junior High	163,851.55			7,641.87		171,493.42
High School	445,679.19	68,424.67		19,191.91		533,295.77
Special Programs:						
Programs for Special Education			271,624.56			271,624.56
Educationally Deprived	94,269.20					94,269.20
Support Services:						
Pupils:						
Guidance	50,992.09			2,339.05		53,331.14
Health	650.80					650.80
Psychological			10,482.66			10,482.66
Speech Pathology			20,382.95			20,382.95
Student Therapy Services			8,153.18			8,153.18
Instructional Staff:						
Improvement of Instruction	8,178.99					8,178.99
Educational Media	98,706.78	589.00		4,260.00		103,555.78
General Administration:						
Board of Education	11,203.35	21,924.00				33,127.35
Executive Administration	51,304.91	1,273.75		2,291.57		54,870.23
School Administration:						
Office of the Principal	170,007.85	817.00		7,772.00		178,596.85
Title I Program Administration	2,273.00					2,273.00
Other	85.10					85.10
Business:						
Fiscal Services	80,902.55	2,650.00		3,158.64		86,711.19
Operation and Maintenance of Plant	169,945.83	196,209.59		4,889.31		371,044.73
Pupil Transportation	52,589.16	34,514.48		85.19		87,188.83
Debt Services					199,700.00	199,700.00

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

**MENNO SCHOOL DISTRICT NO. 33-2**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
<b>Expenditures (Cont.):</b>						
Cocurricular Activities:						
Male Activities	23,855.31			817.87		24,673.18
Female Activities	26,244.37			695.30		26,939.67
Transportation	6,540.22					6,540.22
Combined Activities	91,618.10	13,336.12		2,436.54		107,390.76
Capital Outlay		23,557.04				23,557.04
Total Expenditures	2,154,669.29	401,036.34	310,643.35	82,874.60	199,700.00	3,148,923.58
Net Change in Fund Balances	127,508.60	241,821.01	18,866.11	(18,513.70)	5,848.34	375,530.36
Fund Balance - Beginning	1,844,176.28	1,266,029.54	(1,059.59)	127,293.82	96,710.52	3,333,150.57
FUND BALANCE - ENDING	<u>1,971,684.88</u>	<u>1,507,850.55</u>	<u>17,806.52</u>	<u>108,780.12</u>	<u>102,558.86</u>	<u>3,708,680.93</u>

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

**MENNO SCHOOL DISTRICT NO. 33-2**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances to the Government-Wide Statement of Activities**  
**For the Year Ended June 30, 2015**

Net Change in Fund Balances - Total Governmental Funds	<u>375,530.36</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	<u>(99,838.96)</u>
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	<u>1,101.96</u>
Governmental funds report principal payments on long-term debt as expenditures. However, the statement of net position reports this amount as a decrease in Long-Term Debt Payable. This is the amount of the principal payment for the year.	<u>185,000.00</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (Pension Revenue)	<u>28,462.74</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (Pension Expense)	<u>99,590.56</u>
Change in Net Position of Governmental Activities	<u><u>589,846.66</u></u>

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

**MENNO SCHOOL DISTRICT NO. 33-2**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**As of June 30, 2015**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Food Service Fund</b>	<b>Driver's Education Fund</b>	
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents		1,485.81	1,485.81
Due from State Government	17,287.68		17,287.68
Inventory of Supplies	750.49		750.49
Inventory of Stores Purchased for Resale	2,180.11		2,180.11
Inventory of Donated Food	2,112.99		2,112.99
<b>Total Current Assets</b>	<b>22,331.27</b>	<b>1,485.81</b>	<b>23,817.08</b>
Noncurrent Assets:			
Capital Assets:			
Machinery and Equipment--Local Funds	31,710.81		31,710.81
Machinery and Equipment--Federal Assistance	2,688.50		2,688.50
Less: Accumulated Depreciation	(20,572.08)		(20,572.08)
<b>Total Noncurrent Assets</b>	<b>13,827.23</b>	<b>0.00</b>	<b>13,827.23</b>
<b>TOTAL ASSETS</b>	<b>36,158.50</b>	<b>1,485.81</b>	<b>37,644.31</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Contracts Payable	9,585.00	868.31	10,453.31
Due to General Fund	6,562.44		6,562.44
<b>TOTAL LIABILITIES</b>	<b>16,147.44</b>	<b>868.31</b>	<b>17,015.75</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	13,827.23		13,827.23
Unrestricted Net Position	6,183.83	617.50	6,801.33
<b>TOTAL NET POSITION</b>	<b>20,011.06</b>	<b>617.50</b>	<b>20,628.56</b>

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

**MENNO SCHOOL DISTRICT NO. 33-2**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2015**

	<b>Enterprise Fund</b>		<b>Totals</b>
	<b>Food Service Fund</b>	<b>Driver's Education Fund</b>	
<b>Operating Revenue:</b>			
Food Sales:			
Students	53,488.73		53,488.73
Adults	1,568.35		1,568.35
Ala Carte	1,131.90		1,131.90
Other Charges for Goods and Services		3,910.00	3,910.00
<b>Total Operating Revenue</b>	<b>56,188.98</b>	<b>3,910.00</b>	<b>60,098.98</b>
<b>Operating Expenses:</b>			
Salaries	44,289.52	2,380.00	46,669.52
Employee Benefits	28,302.03	324.87	28,626.90
Purchased Services	69,056.93	650.00	69,706.93
Supplies	2,993.52	223.32	3,216.84
Cost of Sales - Purchased	51,706.22		51,706.22
Cost of Sales - Donated	14,112.45		14,112.45
Depreciation	1,511.38		1,511.38
<b>Total Operating Expenses</b>	<b>211,972.05</b>	<b>3,578.19</b>	<b>215,550.24</b>
<b>Operating Income (Loss)</b>	<b>(155,783.07)</b>	<b>331.81</b>	<b>(155,451.26)</b>
<b>Nonoperating Revenue:</b>			
State Grants	964.85		964.85
Federal Grants	133,447.32		133,447.32
Donated Food	12,050.68		12,050.68
<b>Total Nonoperating Revenue (Expense)</b>	<b>146,462.85</b>	<b>0.00</b>	<b>146,462.85</b>
<b>Change in Net Position</b>	<b>(9,320.22)</b>	<b>331.81</b>	<b>(8,988.41)</b>
<b>Net Position - Beginning</b>	<b>29,331.28</b>	<b>285.69</b>	<b>29,616.97</b>
<b>NET POSITION - ENDING</b>	<b>20,011.06</b>	<b>617.50</b>	<b>20,628.56</b>

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

**MENNO SCHOOL DISTRICT 33-2**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2015**

	<b>Enterprise Fund</b>		
	<b>Food Service Fund</b>	<b>Driver's Education Fund</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities:</b>			
Cash Receipts from Customers	56,188.98	3,910.00	60,098.98
Cash Payments to Employees for Services	(76,135.80)	(2,704.87)	(78,840.67)
Cash Payments to Suppliers for Goods or Services	(115,729.24)	(5.01)	(115,734.25)
Net Cash Provided (Used) by Operating Activities	<u>(135,676.06)</u>	<u>1,200.12</u>	<u>(134,475.94)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Interfund Loan	6,562.44		6,562.44
Operating Grants	128,955.43		128,955.43
Net Cash Provided (Used) from Noncapital Financing Activities	<u>135,517.87</u>	<u>0.00</u>	<u>135,517.87</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(158.19)</u>	<u>1,200.12</u>	<u>1,041.93</u>
Cash and Cash Equivalents at Beginning of Year	158.19	285.69	443.88
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>0.00</u></u>	<u><u>1,485.81</u></u>	<u><u>1,485.81</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	<u>(155,783.07)</u>	<u>331.81</u>	<u>(155,451.26)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	<u>1,511.38</u>		<u>1,511.38</u>
Value of Donated Commodities Used	<u>14,112.45</u>		<u>14,112.45</u>
Change in Assets and Liabilities:			
Inventories	<u>(1,557.57)</u>		<u>(1,557.57)</u>
Accounts and Other Payables	<u>9,585.00</u>		<u>9,585.00</u>
Accrued Wages Payable	<u>(3,544.25)</u>	<u>868.31</u>	<u>(2,675.94)</u>
Net Cash Provided (Used) by Operating Activities	<u>(135,676.06)</u>	<u>1,200.12</u>	<u>(134,475.94)</u>
<b>Noncash Investing, Capital and Financing Activities:</b>			
Value of Commodities Received	<u>12,050.68</u>		<u>12,050.68</u>

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

**MENNO SCHOOL DISTRICT NO. 33-2**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**As of June 30, 2015**

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS:</b>		
Cash and Cash Equivalents	13,047.10	54,071.43
Investments, at Fair Value	25,000.00	
<b>TOTAL ASSETS</b>	<b>38,047.10</b>	<b>54,071.43</b>
<b>LIABILITIES:</b>		
Amounts Held for Others		54,071.43
<b>TOTAL LIABILITIES</b>	<b>0.00</b>	<b>54,071.43</b>
<b>NET POSITION:</b>		
Held in Trust for Scholarships	38,047.10	
<b>TOTAL NET POSITION</b>	<b>38,047.10</b>	

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

**MENNO SCHOOL DISTRICT NO. 33-2**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2015**

	<b>Private Purpose Trust Funds</b>
<b>ADDITIONS:</b>	
Earnings from Deposits and Investments	151.41
Other Additions	91.00
Total Additions	242.41
<b>DEDUCTIONS:</b>	
Trust Deductions for Scholarships	600.00
Total Deductions	600.00
Change in Net Position	(357.59)
Net Position - Beginning	38,404.69
<b>NET POSITION - ENDING</b>	<b>38,047.10</b>

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

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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 Menno School District No. 33-2 (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 other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the School District.

b. Basis of Presentation:

Government-wide Financial Statements:

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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 Laws (SDCL) 13-16-3 to meet all the general operational costs of the school district, excluding capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

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

**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 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 District's share of retirement benefits to qualifying employees. This fund is financed by property taxes. This is a major fund.

**Debt Service Fund Types** – debt service funds are used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs.

**The Bond Redemption Fund** – A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

bonded debt. The Building Bond Fund is the only debt service fund maintained by the School District. 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. This is a major fund.

Driver's Education Fund – A fund used to record financial transactions related to driver's education operations. This fund is financed by user charges. This is a major fund.

**Fiduciary Funds:**

Fiduciary funds are never considered to be major funds.

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

Scholarship fund for the benefit of students.

Agency Fund Types – agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds for the following purposes:

Custodial funds for classes and organizations within the School District.

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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**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 funds.

**Basis of Accounting:**

## Government-wide Financial Statements:

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

## Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay all the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Menno School District No. 33-2, the length of that cycle is 60 days. The revenues, which are accrued at June 30, 2015, are grants from the State of South Dakota and utility taxes.

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

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

All proprietary funds and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

d. Interfund Eliminations and Reclassifications:

*Government-wide Financial Statements:*

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

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

e. Deposits and Investments:

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

f. Capital Assets:

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

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

**Government-Wide Statements**

All capital assets are valued at historical cost. Donated capital assets are valued at their estimated fair value on the date donated.

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

The total June 30, 2015, balance of capital assets for the governmental activities are all valued at original cost. The total June 30, 2015, balance of capital assets for 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:

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 0.00	-----N/A-----	-----N/A-----
Improvements	\$ 5,000.00	Straight-line	5-40 yrs.
Buildings	\$ 5,000.00	Straight-line	10-65 yrs.
Machinery & Equipment	\$ 5,000.00	Straight-line	5-25 yrs.
Food Service Equipment	\$ 300.00	Straight-line	12 yrs.

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

g. Long-Term Liabilities:

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

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

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

h. Program Revenues:

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

1. Charges for services – These arise from charges to customers, applications, 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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

i. Proprietary Funds Revenue and Expense Classifications:

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

j. Cash and Cash Equivalents:

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

k. Equity Classifications:

Government-wide 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 its 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 does 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.

l. Application of Net Position:

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

m. Fund Balance Classification Policies and Procedures:

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

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

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

The School District 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
Pension Fund	Property Taxes

n. 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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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 as follows:

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

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

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.

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 fund making the investment, except for proprietary funds, which is immaterial.

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

In the fund financial statements, inventories in the General Fund, special revenue funds, and proprietary funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased in the general and special revenue funds. The cost is recorded as an expenditure at the time individual inventory items are consumed in the proprietary funds. No material supplies inventories were on hand at June 30, 2015 in the General Fund or special revenue funds.

5. PROPERTY TAXES

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

	Balance 07/01/14	Increases	Decreases	Balance 06/30/15
Primary Government:				
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	58,475.00			58,475.00
Total, not being depreciated	<u>58,475.00</u>	<u>0.00</u>	<u>0.00</u>	<u>58,475.00</u>
Capital Assets, being depreciated:				
Improvements	549,456.00	3,694.00		553,150.00
Buildings	3,354,019.00			3,354,019.00
Machinery & Equipment	788,511.00	23,763.00	(9,328.00)	802,946.00
Total, being depreciated	<u>4,691,986.00</u>	<u>27,457.00</u>	<u>(9,328.00)</u>	<u>4,710,115.00</u>
Less Accumulated Depreciation for:				
Improvements	(54,897.00)	(11,749.00)		(66,646.00)
Buildings	(1,409,781.00)	(75,733.00)		(1,485,514.00)
Machinery & Equipment	(309,861.00)	(35,914.00)	6,530.00	(339,245.00)
Total Accumulated Depreciation	<u>(1,774,539.00)</u>	<u>(123,396.00)</u>	<u>6,530.00</u>	<u>(1,891,405.00)</u>
Total Capital Assets, being depreciated, net	<u>2,917,447.00</u>	<u>(95,939.00)</u>	<u>(2,798.00)</u>	<u>2,818,710.00</u>
Governmental Activity Capital Assets, Net	<u>2,975,922.00</u>	<u>(95,939.00)</u>	<u>(2,798.00)</u>	<u>2,877,185.00</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Depreciation expense was charged to functions as follows:

Governmental Activities:

Instruction	49,084.00
Support Services	39,735.00
Co-curricular Activities	<u>34,577.00</u>
Total Depreciation Expense - Governmental Activities	<u><u>123,396.00</u></u>

	Balance 07/01/14	Increases	Decreases	Balance 06/30/15
Business-Type Activities:				
Capital Assets, being depreciated:				
Machinery & Equipment	34,399.31			34,399.31
Less Accumulated Depreciation for:				
Machinery & Equipment	(19,060.70)	(1,511.38)		(20,572.08)
Total Capital Assets, being depreciated, net	15,338.61	(1,511.38)	0.00	13,827.23
Business-Type Activity Capital Assets, Net	<u>15,338.61</u>	<u>(1,511.38)</u>	<u>0.00</u>	<u>13,827.23</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:

Food Services	1,511.38
Total Depreciation Expense - Business-Type Activities	<u><u>1,511.38</u></u>

**7. LONG-TERM LIABILITIES**

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
General Obligation					
Refunding Series 2011	760,000.00		185,000.00	575,000.00	190,000.00
Total Primary Government	<u>760,000.00</u>	<u>0.00</u>	<u>185,000.00</u>	<u>575,000.00</u>	<u>190,000.00</u>

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

**PRIMARY GOVERNMENT**

Governmental Activities:

General Obligation Bonds Payable:

General Obligation Refunding Bonds, Series 2011:

Matures 6-15-2018; Fixed Interest Rates 1.15% to 2.35%;	
Paid by Bond Redemption Fund	\$ 575,000.00

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

The annual debt service requirements to maturity 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,	General Obligation Refunding Bonds Payable - Series 2011	
	Principal	Interest
2016	190,000.00	11,517.50
2017	190,000.00	8,382.50
2018	195,000.00	4,582.50
Totals	575,000.00	24,482.50

8. OPERATING LEASES

The School District entered into a copier lease. The monthly payments on the lease are \$1,192.72. The lease is paid out of the Capital Outlay Fund.

The following are the minimum payments required for existing operating leases:

Year	Copier Lease
2016	\$ 14,312.64
2017	14,312.64
2018	2,385.44

9. INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS

Interfund receivable and payable balances at June 30, 2015 were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 6,562.44	
Food Service Fund		\$ 6,562.44

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

10. RESTRICTED NET POSITION

Restricted net position for the fiscal year ended June 30, 2015 was as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Funds:		
Capital Outlay	Law	\$ 1,507,850.55
Special Education	Law	17,806.52
Pension	Law	108,780.12
SDRS Pension	Governmental Accounting Standards	489,888.67
Bond Redemption	Debt Covenants	<u>102,558.86</u>
Total Restricted Net Position		<u>\$ 2,226,884.72</u>

11. DEFERRED INFLOWS AND DEFERRED OUTFLOWS OF RESOURCES

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

12. 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	\$ 5,549,072.57
Restatement for pension accounting:	
Net Pension Asset	263,701.26
Pension related Deferred Outflows of Resources	<u>98,134.11</u>
Net Position July 1, 2014, as restated	<u>\$ 5,910,907.94</u>

13. PENSION

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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 1<sup>st</sup> 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 ration 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 \$99,590.56, \$98,134.41, and \$95,359.22, 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 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:

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Proportionate share of net position restricted for pension benefits	\$9,921,160.86
Less proportionate share of total pension liability	<u>\$9,247,321.22</u>
Proportionate share of net pension liability (asset)	<u>\$ ( 673,839.64)</u>

At June 30, 2015, the School District reported a liability (asset) of \$(673,839.64) 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 .0935292%.

For the year ended June 30, 2015, the School District recognized pension expense (revenue) of \$(28,462.74). 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.	\$ 57,015.94	
Changes in assumption.	\$ 439,862.43	
Net Difference between projected and actual earnings on pension plan investments.		\$780,419.90
District contributions subsequent to the measurement date.	\$ 99,590.56	
TOTAL	<u>\$ 596,468.93</u> =====	<u>\$780,419.90</u> =====

\$99,590.56 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:

Year Ended June 30:	
2016	\$( 53,544.18)
2017	\$( 53,544.18)
2018	\$( 53,544.18)
2019	<u>\$(122,908.97)</u>
Total	<u>\$(283,541.51)</u>

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	64.0%	4.7%
Fixed Income	26.0%	1.8%
Real Estate	8.0%	5.5%
Cash	2.0%	0.8%
Total	<u>100%</u>	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 7.25 percent through 2016 and 7.50 percent 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).

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$665,880.30	\$(673,839.64)	\$(1,766,521.08)

Pension Plan Fiduciary Net Position:

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

**14. JOINT VENTURES**

The School District participates in the South Central Cooperative, a cooperative service unit (co-op) formed for the purpose of providing equal educational opportunity services to the member school districts.

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

Andes Central School District No. 11-1	11.89%
Avon School District No. 4-1	10.00%
Bon Homme School District No. 4-2	17.80%
Menno School District No. 33-2	10.31%
Scotland School District No. 4-3	9.95%
South Central School District No. 26-5	6.17%
Tripp-Delmont School District No. 33-5	7.80%
Wagner School District No. 11-4	26.08%

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

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

Separate financial statements for this joint venture are available from the South Central Cooperative.

At June 30, 2015, this joint venture had total assets of \$355,335.81, total liabilities of \$157,119.57 and net position of \$198,216.24

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

15. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the 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 common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage provides a deductible of \$1,000 per person up to \$1,000 per family. The plan also provides for coinsurance of 80 percent up to \$5,000. The coverage also includes a \$2,000,000 lifetime maximum payment per person.

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 their exposure or type of coverage. The School District pays an annual premium to the pool to provide coverage for liability insurance for risks related to torts, theft or damage to property, errors and omissions of public officials, and vehicle insurance.

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

Workers' 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 provides workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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 workers' 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 an additional \$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 District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

At June 30, 2015, no claims had been filed or were outstanding. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

16. SIGNIFICANT CONTINGENCIES – LITIGATION

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

17. POTENTIAL SIGNIFICANT CONTINGENCIES

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

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MENNO SCHOOL DISTRICT NO. 33-2**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	760,000.00	760,000.00	852,928.58	92,928.58
Prior Years' Ad Valorem Taxes	6,500.00	6,500.00	5,344.24	(1,155.76)
Utility Taxes	436,000.00	436,000.00	318,629.54	(117,370.46)
Penalties and Interest on Taxes	1,800.00	1,800.00	2,205.16	405.16
Tuition and Fees:				
Student Tuition	3,000.00	3,000.00	739.86	(2,260.14)
Earnings on Investments and Deposits	3,500.00	3,500.00	4,182.06	682.06
Cocurricular Activities:				
Admissions	18,000.00	18,000.00	18,922.00	922.00
Other Pupil Activity Income	20,300.00	20,300.00	22,625.76	2,325.76
Other Revenue from Local Sources:				
Rentals	3,000.00	3,000.00	4,399.27	1,399.27
Charges for Services	12,300.00	12,300.00	3,342.34	(8,957.66)
Other	9,500.00	9,500.00	8,737.88	(762.12)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	9,500.00	9,500.00	14,527.29	5,027.29
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	960,750.00	960,750.00	938,295.25	(22,454.75)
Restricted Grants-in-Aid	0.00	0.00	8,750.00	8,750.00
Other State Revenue	500.00	500.00	0.00	(500.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received from Federal Government Through an Intermediate Source	0.00	0.00	1,648.86	1,648.86
Restricted Grants-in-Aid Received from Federal Government Through the State	65,000.00	65,000.00	76,899.80	11,899.80
<b>Total Revenue</b>	<b>2,309,650.00</b>	<b>2,309,650.00</b>	<b>2,282,177.89</b>	<b>(27,472.11)</b>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary	616,491.00	617,529.00	605,770.94	11,758.06
Middle/Junior High	176,208.00	176,208.00	163,851.55	12,356.45
High School	440,729.00	461,156.00	445,679.19	15,476.81
Special Programs:				
Educationally Deprived	96,928.00	97,648.00	94,269.20	3,378.80

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MENNO SCHOOL DISTRICT NO. 33-2**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures (continued):</b>				
Support Services:				
Pupils:				
Guidance	51,872.00	51,872.00	50,992.09	879.91
Health	650.00	651.00	650.80	0.20
Instructional Staff:				
Improvement of Instruction	7,655.00	15,405.00	8,178.99	7,226.01
Educational Media	101,705.00	102,014.00	98,706.78	3,307.22
General Administration:				
Board of Education	12,740.00	12,740.00	11,203.35	1,536.65
Executive Administration	52,160.00	52,355.00	51,304.91	1,050.09
School Administration:				
Office of the Principal	168,856.00	171,603.00	170,007.85	1,595.15
Title I Program Administration	2,273.00	2,273.00	2,273.00	0.00
Other	485.00	485.00	85.10	399.90
Business:				
Fiscal Services	82,901.00	82,901.00	80,902.55	1,998.45
Operation and Maintenance of Plant	186,452.00	188,260.00	169,945.83	18,314.17
Pupil Transportation	58,101.00	58,101.00	52,589.16	5,511.84
Nonprogrammed Charges:				
Payments to State - Unemployment	1,500.00	1,500.00	0.00	1,500.00
Cocurricular Activities:				
Male Activities	20,422.00	24,508.00	23,855.31	652.69
Female Activities	27,492.00	27,492.00	26,244.37	1,247.63
Transportation	5,060.00	6,542.00	6,540.22	1.78
Combined Activities	94,693.00	97,245.00	91,618.10	5,626.90
Contingencies				
Amount Transferred	80,000.00	80,000.00		46,443.00
		(33,557.00)		
Total Expenditures	<b>2,285,373.00</b>	<b>2,294,931.00</b>	<b>2,154,669.29</b>	<b>140,261.71</b>
Excess of Revenue Over (Under) Expenditures	<b>24,277.00</b>	<b>14,719.00</b>	<b>127,508.60</b>	<b>112,789.60</b>
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(10,000.00)	(10,000.00)	0.00	10,000.00
Total Other Financing Sources (Uses)	<b>(10,000.00)</b>	<b>(10,000.00)</b>	<b>0.00</b>	<b>10,000.00</b>
Net Change in Fund Balances	<b>14,277.00</b>	<b>4,719.00</b>	<b>127,508.60</b>	<b>122,789.60</b>
Fund Balance - Beginning	1,844,176.28	1,844,176.28	1,844,176.28	0.00
FUND BALANCE - ENDING	<b>1,858,453.28</b>	<b>1,848,895.28</b>	<b>1,971,684.88</b>	<b>122,789.60</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MENNO SCHOOL DISTRICT NO 33-2**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**CAPITAL OUTLAY FUND**  
**For the Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	505,400.00	505,400.00	635,809.44	130,409.44
Prior Years' Ad Valorem Taxes	4,500.00	4,500.00	2,662.50	(1,837.50)
Penalties and Interest on Taxes	1,000.00	1,000.00	667.48	(332.52)
Earnings on Investments and Deposits	2,400.00	2,400.00	2,914.17	514.17
Other Revenue from Local Sources:				
Other	2,000.00	2,000.00	803.76	(1,196.24)
<b>Total Revenue</b>	<b>515,300.00</b>	<b>515,300.00</b>	<b>642,857.35</b>	<b>127,557.35</b>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary	69,400.00	69,400.00	37,740.69	31,659.31
High School	123,900.00	129,133.00	68,424.67	60,708.33
Support Services:				
Instructional Staff:				
Educational Media	2,700.00	2,700.00	589.00	2,111.00
General Administration:				
Board of Education	22,000.00	22,000.00	21,924.00	76.00
Executive Administration	1,000.00	1,817.00	1,273.75	543.25
School Administration:				
Office of the Principal	1,000.00	1,000.00	817.00	183.00
Business:				
Fiscal Services	2,700.00	2,700.00	2,650.00	50.00
Operation and Maintenance of Plant	234,000.00	257,357.00	216,072.63	41,284.37
Pupil Transportation	75,000.00	80,079.00	34,514.48	45,564.52
Cocurricular Activities:				
Combined Activities	26,000.00	26,000.00	17,030.12	8,969.88
<b>Total Expenditures</b>	<b>557,700.00</b>	<b>592,186.00</b>	<b>401,036.34</b>	<b>191,149.66</b>
<b>Net Change in Fund Balances</b>	<b>(42,400.00)</b>	<b>(76,886.00)</b>	<b>241,821.01</b>	<b>318,707.01</b>
Fund Balance - Beginning	1,266,029.54	1,266,029.54	1,266,029.54	0.00
<b>FUND BALANCE - ENDING</b>	<b>1,223,629.54</b>	<b>1,189,143.54</b>	<b>1,507,850.55</b>	<b>318,707.01</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MENNO SCHOOL DISTRICT NO. 33-2**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**SPECIAL EDUCATION FUND**  
**For the Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	280,650.00	280,650.00	327,342.23	46,692.23
Prior Years' Ad Valorem Taxes	2,100.00	2,100.00	1,399.62	(700.38)
Penalties and Interest on Taxes	350.00	350.00	371.61	21.61
Other Revenue from Local Sources:				
Charges for Services	1,400.00	1,400.00	396.00	(1,004.00)
Revenue from State Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid	20,406.00	20,406.00	0.00	(20,406.00)
<b>Total Revenue</b>	<b>304,906.00</b>	<b>304,906.00</b>	<b>329,509.46</b>	<b>24,603.46</b>
<b>Expenditures:</b>				
Instruction:				
Special Programs:				
Programs for Special Education	265,886.00	276,969.00	271,624.56	5,344.44
Support Services:				
Pupils:				
Psychological	10,483.00	10,483.00	10,482.66	0.34
Speech Pathology	20,383.00	20,383.00	20,382.95	0.05
Student Therapy Services	8,154.00	8,154.00	8,153.18	0.82
<b>Total Expenditures</b>	<b>304,906.00</b>	<b>315,989.00</b>	<b>310,643.35</b>	<b>5,345.65</b>
<b>Net Change in Fund Balances</b>	<b>0.00</b>	<b>(11,083.00)</b>	<b>18,866.11</b>	<b>29,949.11</b>
Fund Balance - Beginning	(1,059.59)	(1,059.59)	(1,059.59)	0.00
<b>FUND BALANCE - ENDING</b>	<b>(1,059.59)</b>	<b>(12,142.59)</b>	<b>17,806.52</b>	<b>29,949.11</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MENNO SCHOOL DISTRICT NO. 33-2**  
**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</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget -</u> <u>Positive (Negative)</u>
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	51,140.00	51,140.00	63,640.90	12,500.90
Prior Years' Ad Valorem Taxes	470.00	470.00	266.98	(203.02)
Penalties and Interest on Taxes	100.00	100.00	66.99	(33.01)
Earnings on Investments and Deposits	500.00	500.00	386.03	(113.97)
<b>Total Revenue</b>	<b>52,210.00</b>	<b>52,210.00</b>	<b>64,360.90</b>	<b>12,150.90</b>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary	27,162.00	27,296.00	27,295.35	0.65
Middle/Junior High	8,213.00	8,213.00	7,641.87	571.13
High School	18,423.00	19,192.00	19,191.91	0.09
Support Services:				
Pupils:				
Guidance	2,346.00	2,346.00	2,339.05	6.95
Instructional Staff:				
Educational Media	4,680.00	4,680.00	4,260.00	420.00
General Administration:				
Executive Administration	2,292.00	2,292.00	2,291.57	0.43
School Administration:				
Office of the Principal	7,671.00	7,772.00	7,772.00	0.00
Business:				
Fiscal Services	3,189.00	3,189.00	3,158.64	30.36
Operation and Maintenance of Plant	5,171.00	5,171.00	4,889.31	281.69
Pupil Transportation	51.00	86.00	85.19	0.81
Nonprogrammed Charges:				
Early Retirement Payments	34,043.00	34,043.00	0.00	34,043.00
Cocurricular Activities:				
Male Activities	743.00	818.00	817.87	0.13
Female Activities	1,170.00	1,170.00	695.30	474.70
Combined Activities	2,700.00	2,700.00	2,436.54	263.46
<b>Total Expenditures</b>	<b>117,854.00</b>	<b>118,968.00</b>	<b>82,874.60</b>	<b>36,093.40</b>
<b>Net Change in Fund Balances</b>	<b>(65,644.00)</b>	<b>(66,758.00)</b>	<b>(18,513.70)</b>	<b>48,244.30</b>
Fund Balance - Beginning	127,293.82	127,293.82	127,293.82	0.00
<b>FUND BALANCE - ENDING</b>	<b>61,649.82</b>	<b>60,535.82</b>	<b>108,780.12</b>	<b>48,244.30</b>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2015

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

Note 1. Budgets and Budgetary Accounting

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

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

Note 2. GAAP/Budgetary Accounting Basis Differences

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

(Dollar amounts in thousands)

	2015
District's proportion of the net pension liability (asset)	0.0935292%
District's proportionate share of net pension liability (asset)	\$ (674)
District's covered-employee payroll	\$ 1,635
District's proportionate share of the net pension asset as a percentage of its covered-employee payroll	41.22%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107%

The amounts presented were determined as of 06/30/2014.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS

South Dakota Retirement System

(Dollar amounts in thousands)

	<u>2015</u>
Contractually required contribution	\$ 100
Contributions in relation to the contractually required contribution	<u>\$ 100</u>
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 1,660
Contributions as a percentage of covered-employee payroll	6.0%