

***REDFIELD SCHOOL DISTRICT NO. 56-4
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2016***

***REDFIELD SCHOOL DISTRICT NO. 56-4
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2016***

Board Members:

**Heather Jordan - Board President
Jay Esser - Vice President
Tom Lambert
Fran Esser
Darvin Dickhaut**

Superintendent:

Shad Storley

Business Manager:

Marilyn Hodges

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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
Redfield School District No. 56-4
Redfield, 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 Redfield School District No. 56-4, South Dakota, as of June 30, 2016 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 12, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Current Audit Findings as an item that we consider to be a significant deficiency (item 2016-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Redfield School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Current Audit Findings as item 2016-2.

School District's Response to Findings

The School District's response to the finding identified in our audit is 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 it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Redfield 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.

Handwritten signature in cursive script that reads "CLO Prof LLC".

Huron, South Dakota
December 12, 2016

**REDFIELD SCHOOL DISTRICT NO. 56-4
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016**

Prior Audit Findings

Finding Number 2015-01:

A significant deficiency in internal controls was disclosed by our audit for lack of proper segregation of duties for revenues and expenditures. This finding has not been corrected and is being restated as current audit finding number 2016-01.

Current Other Audit Findings

Finding Number 2016-01:

A significant deficiency in internal controls was disclosed by our audit for a lack of proper segregation of duties for revenues and expenditures. This is the third consecutive audit report in which this finding has appeared.

Internal Control – Related Finding – Significant Deficiency:

Criteria: The internal control system of a School can help assist in increased reliability of reported financial data, compliance with laws and regulations, and decreased potential for the loss of public records.

Condition: The School District has a limited number of office personnel and, accordingly, does not have adequate accounting controls in the revenue and expenditure functions because of a lack of segregation of duties.

Cause: The School District has insufficient number of staff to adequately separate duties.

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: We recommend a high level of awareness be maintained by management to assist in preventing, detecting, or correcting matters that may arise due to this internal control weakness. We recommend that management attempt to provide compensating internal controls whenever, and wherever, possible and practical.

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

**REDFIELD SCHOOL DISTRICT NO. 56-4
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016**

Finding Number 2016-02: Violations of SDCL

Significant Deficiency:

Criteria: The School District's control structure should be such to ensure compliance with South Dakota Codified Law for municipal finances. The following SDCL sections provide the criteria in areas in which we noted absence of controls to ensure compliance with this applicable SDCL:

1. SDLC 13-11-2 provides that the District not exceed the budgeted appropriations total of each fund.

Condition: The School District exceeded the budgeted appropriation total in the capital outlay fund.

Cause: The School District did not prepare and approve a supplemental budget for budget overruns.

Effect: The School District exceeded the budgeted appropriation for the capital outlay fund.

Recommendation: We recommend the School District exercise adequate oversight of the accounting function, become familiar with the statutory requirements and implement necessary controls and processes to ensure the compliance with those such laws.

Management's Response: Management agrees with the finding.



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INDEPENDENT AUDITOR'S REPORT

**School Board
Redfield School District No. 56-4
Redfield, South Dakota**

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 Redfield School District No. 56-4, Redfield, South Dakota, as of June 30, 2016, and for the year then ended, and the related notes to the financial statements, which collectively comprise Redfield School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Redfield School District No. 56-4, South Dakota as of June 30, 2016, 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2016 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.



Huron, South Dakota
December 12, 2016

REDFIELD SCHOOL DISTRICT NO. 56-4
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2016

This section of Redfield School District 56-4's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2016. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- During the year, the School's revenues generated from taxes and other revenues of the governmental and business-type programs were \$730,428 more than the \$6,239,062 governmental and business-type program expenditures.
- The total cost of the School's programs increased by only 4.11% which was primarily due to normal increasing costs.
- The School entered into a capital lease agreement for computers in the amount of \$418,175.

OVERVIEW OF THE FINANCIAL STATEMENTS

This 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 first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities that the School operates like businesses. The proprietary funds operated by the School are the Food Service Operation, Drivers Education and an Internal Service Fund (Unemployment).
- Fiduciary fund statements provide information about the financial relationships - like scholarship plans for graduating students - in which the School 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 explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

REDFIELD SCHOOL DISTRICT NO. 56-4
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A), (CONTINUED)
JUNE 30, 2016

Figure A-1 summarizes the major features of the School’s financial statements, including the portion of the School government covered and the types of information contained. The remainder of the overview section of the management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

| Major Features of Redfield School's Government-wide and Fund Financial Statements | | | | |
|--|--|--|---|---|
| | Government-wide Statements | Fund Statements | | |
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire School government (except fiduciary funds) | The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs | Activities the School operates similar to private businesses, the food service operation, preschool, PASS, and the drivers’ education program | Instances in which the School is the trustee or agent for someone else's resources. |
| Required Financial Statements | <ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities | <ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances | <ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows | <ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position |
| Accounting Basis and Measurement Focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of Asset/Liability Information | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can |
| Type of Inflow/Outflow Information | All revenues and expenses during year, regardless of when cash is received or paid | 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 | All revenues and expenses during year, regardless of when cash is received or paid | All revenues and expenses during year, regardless of when cash is received or paid |

**REDFIELD SCHOOL DISTRICT NO. 56-4
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A), (CONTINUED)
JUNE 30, 2016**

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 net position and how they have changed. Net position is one way to measure the School's financial health or position.

- Increases or decreases in the School's net position are 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 counselor, executive administration, board of education, fiscal services, etc.), debt service 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 to help cover the costs of providing hot lunch services to all students. The Food Service Fund and the Other Enterprise Fund (Driver's Education) are the only business-type activity 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 money for particular purposes (like the 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 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 long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.

REDFIELD SCHOOL DISTRICT NO. 56-4
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A), (CONTINUED)
JUNE 30, 2016

- **Proprietary Funds** – Services for which the School charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service Enterprise Fund, Drivers Education Fund and the Internal Service Fund (Unemployment) are the only proprietary funds maintained by the School.
- **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 net position and a statement of changes in 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 increased as follows:

Table A-1
Redfield School District 56-4
Statement of Net Position

| | <i>Governmental Activities</i> | | <i>Business-Type Activities</i> | | <i>Total</i> | | <i>Total Percentage Change 2015-2016</i> |
|--|--------------------------------|-------------------|---------------------------------|--------------------|-------------------|-------------------|--|
| | <i>2015</i> | <i>2016</i> | <i>2015</i> | <i>2016</i> | <i>2015</i> | <i>2016</i> | |
| Current and Other Assets | \$ 8,005,650 | \$ 7,598,283 | \$ 55,181 | \$ 37,054 | \$ 8,060,831 | \$ 7,635,337 | -5.28% |
| Capital Assets (Net of Depreciation) | 3,094,060 | 3,697,801 | 64,106 | 68,886 | 3,158,166 | 3,766,687 | 19.27% |
| <i>Total Assets</i> | <u>11,099,710</u> | <u>11,296,084</u> | <u>119,287</u> | <u>105,940</u> | <u>11,218,997</u> | <u>11,402,024</u> | <u>13.99%</u> |
| Pension Related Deferred Outflows | 1,172,894 | 1,455,417 | -- | -- | 1,172,894 | 1,455,417 | 24.09% |
| <i>Total Deferred Outflows or Resources</i> | <u>1,172,894</u> | <u>1,455,417</u> | <u>--</u> | <u>--</u> | <u>1,172,894</u> | <u>1,455,417</u> | <u>24.09%</u> |
| Long-Term Liabilities Outstanding | 3,976,157 | 3,764,995 | -- | -- | 3,976,157 | 3,764,995 | -5.31% |
| Other Liabilities | 586,014 | 718,659 | 5,593 | 6,263 | 591,607 | 724,922 | 22.53% |
| <i>Total Liabilities</i> | <u>4,562,171</u> | <u>4,483,654</u> | <u>5,593</u> | <u>6,263</u> | <u>4,567,764</u> | <u>4,489,917</u> | <u>17.22%</u> |
| Taxes Levied for Future Period | 1,515,529 | 1,710,232 | -- | -- | 1,515,529 | 1,710,232 | 12.85% |
| Pension Related Deferred Inflows | 1,527,270 | 1,145,536 | -- | -- | 1,527,270 | 1,145,536 | -24.99% |
| <i>Total Deferred Inflows of Resources</i> | <u>3,042,799</u> | <u>2,855,768</u> | <u>--</u> | <u>--</u> | <u>3,042,799</u> | <u>2,855,768</u> | <u>-12.14%</u> |
| Net Investment in Capital Assets | 386,714 | 1,178,143 | 64,106 | 68,866 | 450,820 | 1,247,009 | 176.61% |
| Restricted | 2,522,464 | 3,741,879 | -- | -- | 2,522,464 | 3,741,879 | 48.34% |
| Unrestricted | 1,758,456 | 492,057 | 49,588 | 30,811 | 1,808,044 | 522,868 | -71.08% |
| <i>Total Net Assets</i> | <u>4,667,634</u> | <u>5,412,079</u> | <u>113,694</u> | <u>99,677</u> | <u>4,781,328</u> | <u>5,511,756</u> | <u>153.87%</u> |
| <i>Beginning Net Position</i> | <u>3,866,585</u> | <u>4,667,634</u> | <u>106,805</u> | <u>113,694</u> | <u>3,973,390</u> | <u>4,781,328</u> | |
| <i>Increase (Decrease) in Net Position</i> | <u>\$ 801,049</u> | <u>\$ 744,445</u> | <u>\$ 6,889</u> | <u>\$ (14,017)</u> | <u>\$ 807,938</u> | <u>\$ 730,428</u> | |
| <i>Percentage of Increase (Decrease) in Net Position</i> | <u>20.72%</u> | <u>15.95%</u> | <u>6.45%</u> | <u>-12.33%</u> | <u>20.33%</u> | <u>15.28%</u> | |

The School’s combined net position of approximately \$4.8 million is approximately \$730,000 or 15% larger than on June 30, 2015. The increase in the School’s financial position mostly came from its governmental activities.

REDFIELD SCHOOL DISTRICT NO. 56-4
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A), (CONTINUED)
JUNE 30, 2016

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 bonds payable, capital lease purchase payables, 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 total revenues (excluding transfers) totaled \$6,969,490 (See Table A-4). This was approximately a 2.5% increase. Approximately 50% of the School’s revenue comes from property and other taxes, with another 28% from state aid. (See Table A-2).

Table A-2
Redfield School District 56-4
Sources of Revenues
Fiscal Year 2015-2016

| | | |
|----------------------------------|---------------------|----------------|
| Taxes | \$ 3,492,781 | 50.12% |
| State Sources | 1,945,998 | 27.92% |
| Operating Grants & Contributions | 1,153,268 | 16.55% |
| Charges for Services | 207,164 | 2.97% |
| Other Revenues | 154,722 | 2.22% |
| Unrestricted Investment Earnings | 15,557 | 0.23% |
| <i>Total Revenue</i> | \$ 6,969,490 | 100.00% |

Total costs of all programs and services increased by approximately 4%. The School’s expenses totaled \$6,239,062. (See Table A-4). The School’s expenses cover a range of services, encompassing instruction, support services, interest on long term debt, co-curricular activities, food services, and driver’s education. (See Table A-3). The increase in expenditures is mostly attributable to normal increases in expenditures.

Table A-3
Redfield School District 56-4
Statement of Expenditures
Fiscal Year 2015-2016

| | | |
|------------------------------|---------------------|----------------|
| Instruction | \$ 3,586,488 | 57.48% |
| Support Services | 2,107,166 | 33.77% |
| Interest - on Long-Term Debt | 62,267 | 1.00% |
| Cocurricular Activities | 214,244 | 3.44% |
| Food Service | 263,165 | 4.22% |
| Drivers Education | 5,732 | 0.09% |
| <i>Total Expenditures</i> | \$ 6,239,062 | 100.00% |

REDFIELD SCHOOL DISTRICT NO. 56-4
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A), (CONTINUED)
JUNE 30, 2016

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Table A-4 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the School:

Table A-4

| | <i>Government Activities</i> | | <i>Business-type Activities</i> | | <i>Total</i> | | <i>Total Percentage Change</i> |
|--|------------------------------|---------------------|---------------------------------|------------------|---------------------|---------------------|--|
| | <i>2015</i> | <i>2016</i> | <i>2015</i> | <i>2016</i> | <i>2015</i> | <i>2016</i> | |
| <i>Revenues</i> | | | | | | | |
| <i>Program Revenues</i> | | | | | | | |
| Charge for Services | \$ 74,372 | \$ 63,589 | \$ 144,704 | \$ 143,575 | \$ 219,076 | \$ 207,164 | -5.75% |
| Operating Grants/ Contributions | 1,082,457 | 1,041,963 | 122,098 | 111,305 | 1,204,555 | 1,153,268 | -4.45% |
| <i>General Revenues</i> | | | | | | | |
| Taxes | 3,216,442 | 3,492,781 | -- | -- | 3,216,442 | 3,492,781 | 7.91% |
| Revenue State Sources | 2,022,137 | 1,945,998 | 1,895 | -- | 2,024,032 | 1,945,998 | -4.01% |
| <i>Other</i> | | | | | | | |
| Other general revenues | 115,330 | 154,722 | -- | -- | 115,330 | 154,722 | 25.46% |
| Unrestricted Investment Earnings | 10,957 | 15,557 | -- | -- | 10,957 | 15,557 | 29.57% |
| | <u>6,521,695</u> | <u>6,714,610</u> | <u>268,697</u> | <u>254,880</u> | <u>6,790,392</u> | <u>6,969,490</u> | 2.57% |
| <i>Expenses</i> | | | | | | | |
| Instruction | 3,470,298 | 3,586,488 | -- | -- | 3,470,298 | 3,586,488 | 3.24% |
| Support Services | 1,971,118 | 2,107,166 | -- | -- | 1,971,118 | 2,107,166 | 6.46% |
| Non-programmed Charges | 25,101 | -- | -- | -- | 25,101 | -- | -100.00% |
| Debt Service | 67,094 | 62,267 | -- | -- | 67,094 | 62,267 | -7.75% |
| Co-curricular Activities | 187,035 | 214,244 | -- | -- | 187,035 | 214,244 | 12.70% |
| Food Service | -- | -- | 255,179 | 263,165 | 255,179 | 263,165 | 3.03% |
| Drivers Education | -- | -- | 6,629 | 5,732 | 6,629 | 5,732 | -15.65% |
| | <u>5,720,646</u> | <u>5,970,165</u> | <u>261,808</u> | <u>268,897</u> | <u>5,982,454</u> | <u>6,239,062</u> | 4.11% |
| Excess (Deficiency) of Revenues Over Expenses | 801,049 | 744,445 | 6,889 | (14,017) | 807,938 | 730,428 | -10.61% |
| Beginning Adjusted Net Position | <u>3,866,585</u> | <u>4,667,634</u> | <u>106,805</u> | <u>113,694</u> | <u>3,973,390</u> | <u>4,781,328</u> | 16.90% |
| Ending Net Position | <u>\$ 4,667,634</u> | <u>\$ 5,412,079</u> | <u>\$ 113,694</u> | <u>\$ 99,677</u> | <u>\$ 4,781,328</u> | <u>\$ 5,511,756</u> | 13.25% |

GOVERNMENTAL ACTIVITIES

Revenues for the School's governmental activities increased approximately 2.6% while expenses for governmental activities increased by approximately 4%.

REDFIELD SCHOOL DISTRICT NO. 56-4
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A), (CONTINUED)
JUNE 30, 2016

BUSINESS-TYPE ACTIVITIES

Net position of the School’s business-type activities decreased approximately \$14,000. This was primarily a result of higher food costs and increase in payroll.

FINANCIAL ANALYSIS OF THE SCHOOL’S FUNDS

The General, Capital Outlay, Special Education and Debt Service Funds all had increases in net position. General, Capital Outlay, and Special Education Funds brought in more in revenues than they spent. Debt Service Fund does not have any expenditures since no QZAB bonds have reached their term date yet. The Pension Fund had a slight decrease in net position. This was due to using all of their revenue towards paying retirements.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the School Board revised the School budget several times. These amendments fall into three categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this School.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

There were budget changes for the year due to needing additional funding for general operating expenses in the General Fund.

CAPITAL ASSET ADMINISTRATION

By the end of 2016, the School had invested \$3,697,801 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5.) This amount represents a net increase (including additions and deductions) of \$604,549.

Table A-5
Capital Assets
 (net of depreciation)

| | <i>Governmental Activities</i> | | <i>Business-Type Activities</i> | | <i>Total Dollar Change</i> | <i>Total % Change</i> |
|-----------------------------------|--------------------------------|---------------------|---------------------------------|------------------|----------------------------|-----------------------|
| | <i>2015</i> | <i>2016</i> | <i>2015</i> | <i>2016</i> | | |
| Land | \$ 113,900 | \$ 120,700 | \$ -- | \$ -- | \$ 6,800 | 5.97% |
| Construction in progress | -- | 151,004 | -- | -- | 151,004 | 100.00% |
| Buildings | 2,223,375 | 2,118,462 | -- | -- | (104,913) | -4.72% |
| Improvements Other than Buildings | 22,218 | 364,695 | -- | -- | 342,477 | 1541.44% |
| Machinery & Equipment | 734,567 | 942,940 | 64,106 | 64,914 | 209,181 | 26.16% |
| Total Capital Assets | \$ 3,094,060 | \$ 3,697,801 | \$ 64,106 | \$ 64,914 | \$ 604,549 | 16.07% |

This year’s capital asset purchases were track and field renovations, computers, and construction in progress on new school building.

REDFIELD SCHOOL DISTRICT NO. 56-4
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A), (CONTINUED)
JUNE 30, 2016

LONG-TERM DEBT

At year-end the School had \$3,764,995 in general long term obligations. This balance includes Qualified Zone Academy Bonds payable, capital lease/purchase payables, early retirement and accrued sick leave payable. See individual balances as shown on Table A-6 below:

Table A-6
Outstanding Debt and Obligations

| | <i>Governmental Activities</i> | | <i>Total Dollar Change</i> | <i>Total % Change</i> |
|-------------------------------|--------------------------------|----------------------------|--------------------------------|---------------------------|
| | <u>2015</u> | <u>2016</u> | | |
| Qualified Zone Academy Bonds | \$ 2,525,000 | \$ 2,200,000 | \$ (325,000) | -12.87% |
| Capital Lease | 1,382,346 | 1,519,658 | 137,312 | 9.93% |
| Early retirement plan payable | 31,606 | 13,048 | (18,558) | -58.72% |
| Compensated absences | 37,205 | 32,289 | (4,916) | -13.21% |
| Total Outstanding Debt | <u>\$ 3,976,157</u> | <u>\$ 3,764,995</u> | <u>\$ (211,162)</u> | -5.31% |

The School is liable for the repayment of Qualified Zone Academy Bonds, Capital Lease/Purchase agreements, and accrued sick leave payable to the various employees who have ten consecutive years or more of employment at the School District. The School District also has an early retirement benefit for any teacher or administrator who has been employed by the School for a period of 15 years and has reached the age of 55 but has not reached the age of 62 to be paid an amount equal to 60% of the employee's contracted salary. The School District did have three additional teachers participate in early retirement payable as of the end of FY15.

REDFIELD SCHOOL DISTRICT NO. 56-4
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A), (CONTINUED)
JUNE 30, 2016

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The School's current economic position has shown little change. The School did experience an increase in total property valuation from the prior year. The increase in property valuation allows the School the ability to increase the amount of revenue generated from property taxes, however, the total amount which can be levied is limited by the State of South Dakota.

One of the primary sources of revenue to the School is based on a per student allocation received from the State of South Dakota. The state aid formula for the current year ensures that property taxes plus state aid will equal \$4,876 per pupil.

The School's enrollment for the last two years has been as follows:

Table A-7
Redfield School District
ADM for the Last Two Years

| <u>YEAR</u> | <u>ADM</u> | <u>Percent (Decrease) in ADM</u> |
|-------------|------------|--|
| 2016 | 599 | 3.2% |
| 2015 | 643 | 3.2% |

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 Redfield School's Business Office, PO Box 560, Redfield, SD 57469-0560.

REDFIELD SCHOOL DISTRICT NO. 56-4
STATEMENT OF NET POSITION – GOVERNMENT-WIDE
JUNE 30, 2016

| | <i>Primary Government</i> | | <u>Total</u> |
|--|------------------------------------|-------------------------------------|----------------------|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | |
| ASSETS: | | | |
| Cash and cash equivalents | \$ 3,934,488 | \$ 24,763 | \$ 3,959,251 |
| Incidental imprest account | 3,000 | -- | 3,000 |
| Taxes receivable | 1,735,626 | -- | 1,735,626 |
| Inventories | -- | 10,011 | 10,011 |
| Other assets | 207,345 | 2,300 | 209,645 |
| Restricted assets: | | | |
| Cash and cash equivalents | 941,482 | -- | 941,482 |
| Net pension asset | 776,342 | -- | 776,342 |
| Capital assets: | | | |
| Land, and construction in progress | 271,704 | -- | 271,704 |
| Other capital assets, net of depreciation | 3,426,097 | 68,866 | 3,494,963 |
| TOTAL ASSETS | <u>11,296,084</u> | <u>105,940</u> | <u>11,402,024</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Pension related deferred outflows | 1,455,417 | -- | 1,455,417 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>1,455,417</u> | <u>--</u> | <u>1,455,417</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 12,751,501</u> | <u>\$ 105,940</u> | <u>\$ 12,857,441</u> |
| LIABILITIES: | | | |
| Accounts payable | \$ 150,672 | \$ -- | \$ 150,672 |
| Other current liabilities | 567,987 | 6,263 | 574,250 |
| Noncurrent liabilities: | | | |
| Due within one year | 251,487 | -- | 251,487 |
| Due in more than one year | 3,513,508 | -- | 3,513,508 |
| TOTAL LIABILITIES | <u>4,483,654</u> | <u>6,263</u> | <u>4,489,917</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Property taxes levied for future periods | 1,710,232 | -- | 1,710,232 |
| Pension related deferred inflows | 1,145,536 | -- | 1,145,536 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>2,855,768</u> | <u>--</u> | <u>2,855,768</u> |
| NET POSITION: | | | |
| Net investment in capital assets | 1,178,143 | 68,866 | 1,247,009 |
| Restricted for: | | | |
| Capital outlay | 1,084,907 | -- | 1,084,907 |
| Special education | 436,441 | -- | 436,441 |
| Pension | 192,826 | -- | 192,826 |
| Debt service | 941,482 | -- | 941,482 |
| SDRS pension purposes | 1,086,223 | -- | 1,086,223 |
| Unrestricted | 492,057 | 30,811 | 522,868 |
| TOTAL NET POSITION | <u>\$ 5,412,079</u> | <u>\$ 99,677</u> | <u>\$ 5,511,756</u> |

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

REDFIELD SCHOOL DISTRICT NO. 56-4
STATEMENT OF ACTIVITIES – GOVERNMENT-WIDE
JUNE 30, 2016

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expenses) Revenues and Changes in Net Position</u> | | <u>Total</u> |
|--|---------------------|---------------------------------|---|--|-------------------------------------|--------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | |
| <i>Primary Government:</i> | | | | | | |
| <i>Governmental Activities:</i> | | | | | | |
| Instruction | \$ 3,586,488 | \$ 4,200 | \$ 1,041,963 | \$ (2,540,325) | \$ -- | \$ (2,540,325) |
| Support Services | 2,107,166 | 13,539 | -- | (2,093,627) | -- | (2,093,627) |
| *Interest - on Long-Term Debt | 62,267 | -- | -- | (62,267) | -- | (62,267) |
| Cocurricular Activities | 214,244 | 45,850 | -- | (168,394) | -- | (168,394) |
| Total Governmental Activities | 5,970,165 | 63,589 | 1,041,963 | (4,864,613) | -- | (4,864,613) |
| <i>Business-Type Activities</i> | | | | | | |
| Food Service | 263,165 | 136,975 | 111,305 | -- | (14,885) | (14,885) |
| Driver's Education | 5,732 | 6,600 | -- | -- | 868 | 868 |
| Total Business-Type Activities | 268,897 | 143,575 | 111,305 | -- | (14,017) | (14,017) |
| Total Primary Government | \$ 6,239,062 | \$ 207,164 | \$ 1,153,268 | (4,864,613) | (14,017) | (4,878,630) |
| <i>General Revenues:</i> | | | | | | |
| *The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt. | | | | | | |
| Taxes: | | | | | | |
| Property Taxes 3,407,157 -- 3,407,157 | | | | | | |
| Utility Taxes 85,624 -- 85,624 | | | | | | |
| Revenue from State Sources: | | | | | | |
| State Aid 1,945,998 -- 1,945,998 | | | | | | |
| Unrestricted Investment Earnings 15,557 -- 15,557 | | | | | | |
| Other General Revenues 154,722 -- 154,722 | | | | | | |
| Total General Revenues 5,609,058 -- 5,609,058 | | | | | | |
| Change in Net Position 744,445 (14,017) 730,428 | | | | | | |
| NET POSITION, Beginning of Year 4,667,634 113,694 4,781,328 | | | | | | |
| NET POSITION, End of Year \$ 5,412,079 \$ 99,677 \$ 5,511,756 | | | | | | |

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

REDFIELD SCHOOL DISTRICT NO. 56-4
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2016

| | <u>General</u> | <u>Capital Outlay</u> | <u>Special Education</u> | <u>Pension</u> | <u>Debt Service</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---------------------------|------------------------------|-------------------|-------------------------|---|
| ASSETS: | | | | | | |
| Cash and cash equivalents | \$ 1,947,057 | \$ 1,235,387 | \$ 548,163 | \$ 192,826 | \$ -- | \$ 3,923,433 |
| Receivables: | | | | | | |
| Taxes -- current | 665,019 | 698,184 | 277,272 | 69,757 | -- | 1,710,232 |
| Taxes -- delinquent | 17,486 | 5,011 | 2,396 | 501 | -- | 25,394 |
| Due from other governments | 165,359 | -- | 41,986 | -- | -- | 207,345 |
| Advance payments | 3,000 | -- | -- | -- | -- | 3,000 |
| Restricted cash and cash equivalents | -- | -- | -- | -- | 941,482 | 941,482 |
| TOTAL ASSETS | \$ 2,797,921 | \$ 1,938,582 | \$ 869,817 | \$ 263,084 | \$ 941,482 | \$ 6,810,886 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES: | | | | | | |
| <i>Liabilities:</i> | | | | | | |
| Accounts payable | \$ 192 | \$ 150,480 | \$ -- | \$ -- | \$ -- | \$ 150,672 |
| Contracts payable | 325,918 | -- | 126,037 | -- | -- | 451,955 |
| Payroll deductions and withholding and employer matching payable | 88,361 | -- | 27,671 | -- | -- | 116,032 |
| Total Liabilities | 414,471 | 150,480 | 153,708 | -- | -- | 718,659 |
| <i>Deferred inflows of resources:</i> | | | | | | |
| Taxes levied for a future period | 665,019 | 698,184 | 277,272 | 69,757 | -- | 1,710,232 |
| Unavailable revenue-property taxes | 17,486 | 5,011 | 2,396 | 501 | -- | 25,394 |
| Total Deferred Inflows of Resources | 682,505 | 703,195 | 279,668 | 70,258 | -- | 1,735,626 |
| <i>Fund Balances:</i> | | | | | | |
| <i>Restricted for:</i> | | | | | | |
| Capital Outlay Fund | -- | 1,084,907 | -- | -- | -- | 1,084,907 |
| Special Education Fund | -- | -- | 436,441 | -- | -- | 436,441 |
| Pension Fund | -- | -- | -- | 192,826 | -- | 192,826 |
| Debt Service Requirements | -- | -- | -- | -- | 941,482 | 941,482 |
| <i>Assigned</i> | 888,018 | -- | -- | -- | -- | 888,018 |
| <i>Unassigned</i> | 812,927 | -- | -- | -- | -- | 812,927 |
| Total Fund Balances | 1,700,945 | 1,084,907 | 436,441 | 192,826 | 941,482 | 4,356,601 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | \$ 2,797,921 | \$ 1,938,582 | \$ 869,817 | \$ 263,084 | \$ 941,482 | \$ 6,810,886 |

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

REDFIELD SCHOOL DISTRICT NO. 56-4
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

| | | | |
|--|--|---|-------------------------|
| <i>Total Fund Balances - Governmental Funds</i> | | \$ | 4,356,601 |
| <i>Amounts reported for governmental activities in the statement of net position are different because:</i> | | | |
| Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. | | | 776,342 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | The cost of capital assets are Accumulated depreciation is Net | \$ 8,945,342 <u>(5,247,541)</u> | 3,697,801 |
| Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. | | | 1,455,417 |
| Long-term liabilities, including bonds payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds. | Quality Zone Academy Bonds Capital Lease Purchase Agreements Accrued Sick Leave Payable Early Retirement Payable Net | (2,200,000) (1,519,658) (32,289) <u>(13,048)</u> | (3,764,995) |
| Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds. | Taxes Receivable | | 25,394 |
| Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. | | | (1,145,536) |
| An internal service fund is used by the District's management to charge the costs of unemployment claims to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. | | | <u>11,055</u> |
| <i>Net Position-Governmental Funds</i> | | \$ | <u><u>5,412,079</u></u> |

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

REDFIELD SCHOOL DISTRICT NO. 56-4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
JUNE 30, 2016

| | <u>General</u> | <u>Capital Outlay</u> | <u>Special Education</u> | <u>Pension</u> | <u>Debt Service</u> | <u>Total Governmental Funds</u> |
|---|---------------------|---------------------------|------------------------------|-------------------|-------------------------|---|
| <u>REVENUES</u> | | | | | | |
| <i>Revenue from Local Sources:</i> | | | | | | |
| <i>Taxes:</i> | | | | | | |
| Ad valorem taxes | \$ 1,450,224 | \$ 1,253,787 | \$ 539,944 | \$ 125,359 | \$ -- | \$ 3,369,314 |
| Prior years' ad valorem taxes | 9,338 | 3,629 | 1,639 | 376 | -- | 14,982 |
| Tax deed revenue | 4,060 | -- | -- | -- | -- | 4,060 |
| Utility taxes | 85,624 | -- | -- | -- | -- | 85,624 |
| Penalties and interest on taxes | 3,701 | 2,487 | 1,159 | 249 | -- | 7,596 |
| <i>Tuition and Fees:</i> | | | | | | |
| Regular day school tuition | 4,200 | -- | -- | -- | -- | 4,200 |
| Earnings on investments and deposits | 3,135 | -- | -- | -- | 12,422 | 15,557 |
| <i>Cocurricular Activities:</i> | | | | | | |
| Admissions | 43,715 | -- | -- | -- | -- | 43,715 |
| Rentals | 2,135 | -- | -- | -- | -- | 2,135 |
| <i>Other Revenue from Local Sources:</i> | | | | | | |
| Rentals | 1,080 | 6,123 | -- | -- | -- | 7,203 |
| Contributions and donations | -- | 83,153 | -- | -- | -- | 83,153 |
| Charges for services | 9,890 | -- | 3,649 | -- | -- | 13,539 |
| Other | 25,005 | -- | -- | -- | -- | 25,005 |
| <i>Revenue from Intermediate Sources:</i> | | | | | | |
| <i>County Sources:</i> | | | | | | |
| County apportionment | 38,404 | -- | -- | -- | -- | 38,404 |
| Revenue in Lieu of Taxes | 635 | 204 | 98 | 20 | -- | 957 |
| <i>Revenue from State Sources:</i> | | | | | | |
| <i>Grants-in-Aid:</i> | | | | | | |
| Unrestricted grants-in-aid | 1,945,998 | -- | -- | -- | -- | 1,945,998 |
| Restricted grants-in-aid | -- | -- | 545,296 | -- | -- | 545,296 |
| <i>Revenue from Federal Sources:</i> | | | | | | |
| <i>Grants-in-Aid:</i> | | | | | | |
| Restricted grants-in-aid received from federal government through the state | 291,096 | -- | 205,571 | -- | -- | 496,667 |
| TOTAL REVENUES | \$ 3,918,240 | \$ 1,349,383 | \$ 1,297,356 | \$ 126,004 | \$ 12,422 | \$ 6,703,405 |

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

REDFIELD SCHOOL DISTRICT NO. 56-4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2016

| | <u>General</u> | <u>Capital Outlay</u> | <u>Special Education</u> | <u>Pension</u> | <u>Debt Service</u> | <u>Total Governmental Funds</u> |
|------------------------------------|----------------|---------------------------|------------------------------|----------------|-------------------------|---|
| <u>EXPENDITURES</u> | | | | | | |
| <i>Instruction:</i> | | | | | | |
| <i>Regular Programs:</i> | | | | | | |
| Elementary | \$ 1,173,368 | \$ 922 | \$ -- | \$ -- | \$ -- | \$ 1,174,290 |
| High school | 1,203,176 | 4,387 | -- | -- | -- | 1,207,563 |
| <i>Special Programs:</i> | | | | | | |
| Programs for special education | -- | -- | 935,067 | -- | -- | 935,067 |
| Educationally deprived | 171,915 | -- | -- | -- | -- | 171,915 |
| <i>Support Services:</i> | | | | | | |
| <i>Pupils:</i> | | | | | | |
| Attendance and social work | 79,037 | -- | -- | -- | -- | 79,037 |
| Guidance | 80,568 | -- | 14,001 | -- | -- | 94,569 |
| Health | 23,898 | -- | 4,004 | -- | -- | 27,902 |
| Psychological | -- | -- | 44,272 | -- | -- | 44,272 |
| Student therapy services | -- | -- | 43,309 | -- | -- | 43,309 |
| <i>Instructional Staff:</i> | | | | | | |
| Improvement of instruction | 1,949 | -- | -- | -- | -- | 1,949 |
| Educational media | 152,745 | 22,543 | -- | -- | -- | 175,288 |
| <i>General Administration:</i> | | | | | | |
| Board of education | 54,036 | -- | -- | -- | -- | 54,036 |
| Executive administration | 130,311 | -- | -- | -- | -- | 130,311 |
| <i>School Administration:</i> | | | | | | |
| Office of the principal | 225,326 | -- | -- | -- | -- | 225,326 |
| <i>Business:</i> | | | | | | |
| Fiscal services | 89,182 | -- | -- | -- | -- | 89,182 |
| Operation and maintenance of plant | 431,599 | 247,462 | -- | -- | -- | 679,061 |
| Pupil transportation | 140,642 | -- | -- | -- | -- | 140,642 |
| Internal services | 8,836 | 30,453 | -- | -- | -- | 39,289 |
| <i>Special Education</i> | | | | | | |
| Administrative costs | -- | -- | 103,633 | -- | -- | 103,633 |
| Transportation costs | -- | -- | 13,577 | -- | -- | 13,577 |
| Other special education costs | -- | -- | 107,405 | -- | -- | 107,405 |
| <i>Nonprogrammed Charges:</i> | | | | | | |
| Early retirement payments | -- | -- | -- | 19,978 | -- | 19,978 |
| <i>Debt Services:</i> | -- | 338,688 | -- | -- | 329,442 | 668,130 |

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

REDFIELD SCHOOL DISTRICT NO. 56-4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2016

| | <u>General</u> | <u>Capital Outlay</u> | <u>Special Education</u> | <u>Pension</u> | <u>Debt Service</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---------------------------|------------------------------|-------------------|-------------------------|---|
| <i>Co-curricular Activities:</i> | | | | | | |
| Male activities | \$ 50,771 | \$ -- | \$ -- | \$ -- | \$ -- | \$ 50,771 |
| Female activities | 38,325 | -- | -- | -- | -- | 38,325 |
| Transportation | 12,133 | -- | -- | -- | -- | 12,133 |
| Combined activities | 44,378 | -- | -- | -- | -- | 44,378 |
| Capital Outlay | -- | 977,864 | -- | -- | -- | 977,864 |
| TOTAL EXPENDITURES | <u>4,112,195</u> | <u>1,622,319</u> | <u>1,265,268</u> | <u>19,978</u> | <u>329,442</u> | <u>7,349,202</u> |
| <i>Excess of Revenue Over (Under) Expenditures</i> | <u>(193,955)</u> | <u>(272,936)</u> | <u>32,088</u> | <u>106,026</u> | <u>(317,020)</u> | <u>(645,797)</u> |
| <i>OTHER FINANCING SOURCES (USES):</i> | | | | | | |
| Transfers in | -- | -- | -- | -- | 161,767 | 161,767 |
| Transfers out | -- | (161,767) | -- | -- | -- | (161,767) |
| Proceeds of general long-term debt issues | -- | 418,175 | -- | -- | -- | 418,175 |
| Sale of surplus property | 6,653 | 17,400 | -- | -- | -- | 24,053 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>6,653</u> | <u>273,808</u> | <u>--</u> | <u>--</u> | <u>161,767</u> | <u>442,228</u> |
| <i>Excess of Revenue and Other Sources Over (Under) Expenditures</i> | <u>(187,302)</u> | <u>872</u> | <u>32,088</u> | <u>106,026</u> | <u>(155,253)</u> | <u>(203,569)</u> |
| <i>FUND BALANCE, Beginning of Year</i> | <u>1,888,247</u> | <u>1,084,035</u> | <u>404,353</u> | <u>86,800</u> | <u>1,096,735</u> | <u>4,560,170</u> |
| <i>FUND BALANCE, End of Year</i> | <u>\$ 1,700,945</u> | <u>\$ 1,084,907</u> | <u>\$ 436,441</u> | <u>\$ 192,826</u> | <u>\$ 941,482</u> | <u>\$ 4,356,601</u> |

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

REDFIELD SCHOOL DISTRICT NO. 56-4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
JUNE 30, 2016

| | | |
|--|-----------|----------------|
| <i>Net Change in Fund Balances - Total Governmental Funds</i> | \$ | (203,569) |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements. | | 977,864 |
| This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. | | (374,123) |
| Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position . | | 605,863 |
| The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements. | | (418,175) |
| In both the government-wide and the fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government wide wide in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria". | | 11,205 |
| Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of Early Retirement activities, expenses for these benefits are recognized when the Compensated Absences employees earn leave credits or elect to retire early. | | 23,474 |
| Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. | | 121,906 |
| | | 121,906 |
| <i>Change in net position of governmental activities</i> | \$ | 744,445 |

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

REDFIELD SCHOOL DISTRICT NO. 56-4
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2016

| | <i>Enterprise Funds</i> | | | <i>Internal Service Fund</i> |
|---|-------------------------|--------------------------|-------------------------------|------------------------------|
| | <i>Food Service</i> | <i>Drivers Education</i> | <i>Total Enterprise Funds</i> | |
| ASSETS: | | | | |
| <i>Current Assets:</i> | | | | |
| Cash and cash equivalents | \$ 20,890 | \$ 3,873 | \$ 24,763 | \$ 11,055 |
| Accounts receivable | 2,300 | -- | 2,300 | -- |
| Inventory of stores purchased for resale | 4,276 | -- | 4,276 | -- |
| Inventory of donated food | 5,735 | -- | 5,735 | -- |
| <i>Total Current Assets</i> | <u>33,201</u> | <u>3,873</u> | <u>37,074</u> | <u>11,055</u> |
| <i>Capital Assets:</i> | | | | |
| Machinery and equipment - local funds | 169,436 | -- | 169,436 | -- |
| Less: accumulated depreciation | <u>(100,570)</u> | <u>--</u> | <u>(100,570)</u> | <u>--</u> |
| <i>Capital Assets - Net</i> | <u>68,866</u> | <u>--</u> | <u>68,866</u> | <u>--</u> |
| TOTAL ASSETS | <u>102,067</u> | <u>3,873</u> | <u>105,940</u> | <u>11,055</u> |
| LIABILITIES AND NET POSITION: | | | | |
| <i>Current Liabilities:</i> | | | | |
| Contracts payable | 5,537 | -- | 5,537 | -- |
| Payroll deductions and withholdings and employer-matching payable | <u>726</u> | <u>--</u> | <u>726</u> | <u>--</u> |
| <i>Total Current Liabilities</i> | <u>6,263</u> | <u>--</u> | <u>6,263</u> | <u>--</u> |
| <i>Net Position:</i> | | | | |
| Net investment in capital assets | 68,866 | -- | 68,866 | -- |
| Unrestricted net position | <u>26,938</u> | <u>3,873</u> | <u>30,811</u> | <u>11,055</u> |
| <i>Total Net Position</i> | <u>\$ 95,804</u> | <u>\$ 3,873</u> | <u>\$ 99,677</u> | <u>\$ 11,055</u> |

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

REDFIELD SCHOOL DISTRICT NO. 56-4
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS
JUNE 30, 2016

| | <i>Enterprise Fund</i> | | |
|---|-------------------------|------------------------------|-----------------------------------|
| | <i>Food Service</i> | <i>Drivers Education</i> | <i>Total Enterprise Funds</i> |
| OPERATING REVENUES: | | | |
| <i>Tuition and Fees:</i> | | | |
| Regular day school tuition | \$ -- | \$ 6,600 | \$ 6,600 |
| <i>Charges for Services</i> | | | |
| To pupils | 126,101 | -- | 126,101 |
| To adults | 10,761 | -- | 10,761 |
| Miscellaneous | 113 | -- | 113 |
| Total Operating Revenue | 136,975 | 6,600 | 143,575 |
| <i>Operating Expenses:</i> | | | |
| <i>Food Service:</i> | | | |
| Salaries | 79,299 | -- | 79,299 |
| Employee benefits | 13,376 | -- | 13,376 |
| Purchased services | 4,680 | -- | 4,680 |
| Supplies | 12,207 | -- | 12,207 |
| Cost of sales - purchased food | 126,517 | -- | 126,517 |
| Cost of sales - donated food | 15,542 | -- | 15,542 |
| Depreciation expense | 11,544 | -- | 11,544 |
| <i>Community Services</i> | | | |
| Other community services | -- | 5,732 | 5,732 |
| Total Operating Expenses | 263,165 | 5,732 | 268,897 |
| <i>Operating Income (Loss)</i> | (126,190) | 868 | (125,322) |
| NONOPERATING REVENUES: | | | |
| <i>State Sources:</i> | | | |
| Cash reimbursements | 2,007 | -- | 2,007 |
| <i>Federal Sources:</i> | | | |
| Cash reimbursements | 89,922 | -- | 89,922 |
| Donated food | 19,376 | -- | 19,376 |
| Total Non-operating Revenue | 111,305 | -- | 111,305 |
| <i>Change in Net Position</i> | (14,885) | 868 | (14,017) |
| <i>NET POSITION - Beginning of Year</i> | 110,689 | 3,005 | 113,694 |
| NET POSITION - End of Year | \$ 95,804 | \$ 3,873 | \$ 99,677 |

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

REDFIELD SCHOOL DISTRICT NO. 56-4
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
JUNE 30, 2016

| | <i>ENTERPRISE FUNDS</i> | | |
|--|-------------------------|------------------------------|-----------------------------------|
| | <i>Food Service</i> | <i>Drivers Education</i> | <i>Total Enterprise Funds</i> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash received from customers | \$ 136,622 | \$ 6,600 | \$ 143,222 |
| Cash paid to suppliers | (147,168) | (500) | (147,668) |
| Cash paid to employees | (92,005) | (5,232) | (97,237) |
| CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES | (102,551) | 868 | (101,683) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | | |
| Cash reimbursements - state | 2,007 | -- | 2,007 |
| Cash reimbursements - federal | 89,922 | -- | 89,922 |
| CASH FLOWS PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES | 91,929 | -- | 91,929 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Purchase of capital assets | (16,304) | -- | (16,304) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (26,926) | 868 | (26,058) |
| CASH AND CASH EQUIVALENTS, Beginning of Year | 47,816 | 3,005 | 50,821 |
| CASH AND CASH EQUIVALENTS, End of Year | \$ 20,890 | \$ 3,873 | \$ 24,763 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES: | | | |
| <i>Operating Income (Loss)</i> | \$ (126,190) | \$ 868 | \$ (125,322) |
| <i>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</i> | | | |
| Depreciation | 11,544 | -- | 11,544 |
| Noncash cost of sales-commodities | 15,542 | -- | 15,542 |
| Change in Assets and Liabilities: | | | |
| Receivables | (353) | -- | (353) |
| Inventory | (3,763) | -- | (3,763) |
| Accrued wages payable | 669 | -- | 669 |
| CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES | \$ (102,551) | \$ 868 | \$ (101,683) |
| SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES: | | | |
| Commodities received from Federal Government | \$ 19,376 | \$ -- | \$ 19,376 |

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

REDFIELD SCHOOL DISTRICT NO. 56-4
STATEMENT OF NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2016

| | <u>Private-Purpose Trust Funds</u> | <u>Agency Funds</u> |
|--------------------------------|--|--------------------------|
| ASSETS: | | |
| Cash and cash equivalents | <u>\$ 51,154</u> | <u>\$ 135,050</u> |
| TOTAL ASSETS | <u><u>\$ 51,154</u></u> | <u><u>\$ 135,050</u></u> |
| LIABILITIES: | | |
| Amounts held for others | <u>\$ --</u> | <u>\$ 135,050</u> |
| NET POSITION | | |
| Held in trust for scholarships | <u><u>\$ 51,154</u></u> | <u><u>\$ --</u></u> |

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

REDFIELD SCHOOL DISTRICT NO. 56-4
STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2016

| | <i>Private-Purpose Trust Funds</i> |
|--|--|
| ADDITIONS: | |
| Other Additions | \$ 4,325 |
| DEDUCTIONS: | |
| Trust Deductions for Scholarships | 1,400 |
| Other Deductions | 30,000 |
| <i>Total Deductions</i> | 31,400 |
| <i>Change in Net Position</i> | (27,075) |
| NET POSITION, Beginning of Year | 78,229 |
| NET POSITION, End of Year | \$ 51,154 |

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

REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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 Redfield School District No. 56-4, 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.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organizations governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has no component units.

The School District participates in a cooperative service unit with several other School Districts. See detailed note entitled "Consortium Information" for specific disclosures. Consortiums 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 the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds.

These statements distinguish between the governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods and 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.

REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

b. **Basis of Presentation:** *(continued)*

Government-wide Financial Statements: *(continued)*

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

Fund Financial Statements:

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

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

b. **Basis of Presentation:** *(continued)*

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 the 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 plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is a major fund.

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

The Bond Redemption Fund: The QZAB Fund is the only debt service fund. This fund was established to collect money in the sinking funds for payment of term bonds. The Capital Outlay fund transfers money to this fund on a yearly basis. At the end of the term, the bonds will be paid off. This is a major fund.

REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

b. ***Basis of Presentation: (continued)***

Proprietary Funds:

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

1. **The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not 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.)**
2. **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.**
3. **The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).**

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

Drivers Education Fund: A fund used to record financial transactions related to drivers education. This fund is financed by user charges. This is a major fund.

Internal Service Fund Types – are used to report activities that provide goods or services to other funds, departments, or agencies of the School District and its component units, or to other governments, on a cost-reimbursement basis. Internal Service Funds are never considered to be major funds:

Unemployment Fund: This fund accounts for unemployment self-insurance coverage provided to other departments on a cost-reimbursement basis.

REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

b. ***Basis of Presentation: (continued)***

Fiduciary Funds:

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

Private Purpose Trust Funds – Trust funds are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains several private-purpose trust funds; their purposes are for scholarships and memorials.

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

c. ***Measurement Focus and Basis of Accounting:***

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

c. **Measurement Focus and Basis of Accounting:** *(continued)*

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 the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Redfield School District 56-4, the length of that cycle is sixty days. The revenues which are accrued at June 30, 2016 are due from federal governments, local governments, rural electric and telephone gross receipts.

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

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

All proprietary 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.

REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (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.**
- 2. In order to minimize the doubling-up effect on internal service fund activity, certain “centralized expenses” including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the Internal Service Fund, so that expenses are reported only in the function to which they relate.**

e. **Deposits and Investments:**

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

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

f. **Capital Assets:**

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

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

**REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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

f. **Capital Assets:** (continued)

Government-Wide Financial Statements:

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

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

The total June 30, 2016 balance of capital assets for governmental activities includes approximately less than one percent for which the costs were determined by estimates of the original costs. These estimated original costs were established by appraisals of deflated current replacement cost. The total June 30, 2016 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:

| | <u>Capitalization Threshold</u> | <u>Depreciation Method</u> | <u>Estimated Useful Life</u> |
|---|-------------------------------------|--------------------------------|----------------------------------|
| Land | \$5,000 | -- | -- |
| Land improvements | \$5,000 | Straight-line | 15 years |
| Buildings | \$5,000 | Straight-line | 10-30 years |
| Machinery and equipment | \$5,000 | Straight-line | 3-20 years |
| Machinery and equipment - Proprietary Fund | \$5,000 | Straight-line | 15 years |

Land, an inexhaustible capital asset, is not depreciated.

Fund Financial Statements:

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

REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

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 or fund financial statements.

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

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

h. **Program Revenues:**

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

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

i. **Proprietary Funds Revenue and Expense Classifications:**

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

REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

j. **Cash and Cash Equivalents:**

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

k. **Equity Classifications:**

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish 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.

REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(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 School Board.
- **Unassigned** – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

The School District's Assigned fund balance consists of amounts assigned for subsequent year's budget in the General Fund.

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

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

| <u>Major Special Revenue Fund</u> | <u>Revenue Source</u> |
|-----------------------------------|-----------------------|
| Capital Outlay Fund | Taxes |
| Special Education Fund | Taxes |
| Pension Fund | Taxes |

REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

n. ***Use of Estimates:***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

o. ***Pensions:***

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

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

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

Deposits – The School District's deposits are made in qualified 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.

Deposits are reported at cost plus interest, if the account is of the add-on type.

**REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK: (continued)

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

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.

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.

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

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 District’s policy is to credit all income from deposits and investment to the General Fund, except for the private purpose trust funds which retains its investments income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

3. RESTRICTED CASH AND INVESTMENTS:

Assets restricted for use for a specific purpose through segregation of balances in separate account. As of June 30, 2016, \$941,482 was restricted in the Debt Service Fund for sinking fund requirements in the debt covenants.

| <u>Amount</u> | <u>Purpose</u> |
|---------------|---|
| \$ 941,482 | For debt service, by debt covenants (sinking funds required to be in a separate account) |

REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

4. INVENTORY:

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

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

In the governmental fund financial statements, inventories in the General Fund and Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. No material inventories were on hand at June 30, 2016.

5. PROPERTY TAX:

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

6. DUE FROM OTHER GOVERNMENTS:

Receivables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Amounts due from other governments include reimbursements for various programs. These amounts include \$207,345 due from various county, school, state and federal governments.

REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

7. CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the fiscal year ended June 30, 2016 is as follows:

| | <u>Balance</u> <u>7/1/2015</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>6/30/2016</u> |
|--|-----------------------------------|-----------------------|------------------|------------------------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 113,900 | \$ 6,800 | \$ -- | \$ 120,700 |
| Construction in progress | -- | 151,004 | -- | 151,004 |
| <i>Total, not being depreciated</i> | <u>113,900</u> | <u>157,804</u> | <u>--</u> | <u>271,704</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 5,180,658 | -- | -- | 5,180,658 |
| Improvements other than buildings | 108,861 | 385,558 | -- | 494,419 |
| Machinery and equipment | 2,564,059 | 434,502 | -- | 2,998,561 |
| <i>Total, being depreciated</i> | <u>7,853,578</u> | <u>820,060</u> | <u>--</u> | <u>8,673,638</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 2,957,283 | 104,913 | -- | 3,062,196 |
| Improvements other than buildings | 86,643 | 43,081 | -- | 129,724 |
| Machinery and equipment | 1,829,492 | 226,129 | -- | 2,055,621 |
| <i>Total accumulated depreciation</i> | <u>4,873,418</u> | <u>374,123</u> | <u>--</u> | <u>5,247,541</u> |
| <i>Total capital assets, being depreciated, net</i> | <u>2,980,160</u> | <u>445,937</u> | <u>--</u> | <u>3,426,097</u> |
| <i>Total Governmental Activity Capital Assets, Net</i> | <u>\$ 3,094,060</u> | <u>\$ 603,741</u> | <u>\$ --</u> | <u>\$ 3,697,801</u> |

Depreciation expense was charged to functions as follows:

| | |
|--------------------------|-------------------|
| Instruction | \$ 234,516 |
| Support services | 68,639 |
| Co-curricular activities | 70,968 |
| | <u>\$ 374,123</u> |

REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

7. **CHANGES IN CAPITAL ASSETS:** (continued)

| | <i>Balance 7/1/2015</i> | <i>Increases</i> | <i>Decreases</i> | <i>Balance 6/30/2016</i> |
|---|-----------------------------|------------------|------------------|------------------------------|
| Business-Type Activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Machinery and equipment | \$ 153,132 | \$ 9,849 | \$ -- | \$ 162,981 |
| Less accumulated depreciation for: | | | | |
| Machinery and equipment | 89,025 | 9,042 | -- | 98,067 |
| <i>Total capital assets, being depreciated, net</i> | \$ 64,107 | \$ 807 | \$ -- | \$ 64,914 |

Depreciation expense was charged to functions as follows:

| | |
|----------------------------------|----------|
| Business-type activities: | |
| Food service | \$ 9,042 |

Construction work in progress at June 30, 2016 is composed of the following:

| <i>Project Name</i> | <i>Project Authorization</i> | <i>Expended Through 6/30/2016</i> | <i>Committed</i> | <i>Required Future Financing</i> |
|---------------------------------------|----------------------------------|---|------------------|--|
| School building additions and remodel | \$ 15,095,000 | \$ 151,004 | \$ -- | \$ 14,943,996 |

REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

8. LONG-TERM LIABILITIES:

| | <i>Beginning Balance</i> | <i>Additions</i> | <i>Deletions</i> | <i>Ending Balance</i> | <i>Due Within One Year</i> |
|---|------------------------------|-------------------|-------------------|---------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| Bonds Payable: | | | | | |
| Qualified Zone Academy Bonds | \$ 2,525,000 | \$ -- | \$ 325,000 | \$ 2,200,000 | \$ -- |
| Financing (Capital Acquisition) Leases | 1,382,346 | 418,175 | 280,863 | 1,519,658 | 233,439 |
| | <u>3,907,346</u> | <u>418,175</u> | <u>605,863</u> | <u>3,719,658</u> | <u>233,439</u> |
| Early Retirement Payable - Governmental Funds | 31,606 | -- | 18,558 | 13,048 | 13,048 |
| Accrued Compensated Absences - Governmental Funds | 37,205 | -- | 4,916 | 32,289 | 5,000 |
| <i>Total Governmental Activities</i> | <u>\$ 3,976,157</u> | <u>\$ 418,175</u> | <u>\$ 629,337</u> | <u>\$ 3,764,995</u> | <u>\$ 251,487</u> |

Compensated absences for governmental activities typically have been liquidated from the General and Special Education Funds.

The District maintains an early retirement plan for any teacher or administrator who has been employed by the School District for a period of 15 years and has reached the age of 55 but has not reached the age of 62 to be paid an amount equal to 60% of the employee's contracted salary. This plan allows the District to reduce the overall program cost by hiring lower paid employees to replace the higher paid employees. In the fiscal year 2016, four employees received benefits.

Debt payable at June 30, 2016 is comprised of the following:

| <i>TERMS</i> | |
|--|--|
| Redfield School District No 56-4 Qualified Zone Academy Bonds, Series 2002 | During July 2003, the School District entered into an agreement to receive Qualified Zone Academy Bonds in the amount of \$250,000. The unstated interest rate is at 3%. Final payment is November 2013, maturity November 2017. The Debt Service Fund makes payment on this debt. \$ 250,000 |
| Redfield School District No 56-4 Qualified Zone Academy Bonds, Series 2008 | During July 2009, the School District entered into an agreement to receive Qualified Zone Academy Bonds in the amount of \$250,000. Interest rate is 1.75%. Final payment is November 2018. The Debt Service Fund makes payment on this debt. \$ 250,000 |
| Redfield School District No 56-4 Qualified Zone Academy Bonds, Series 2009 | During November 2009, the School District entered into an agreement to receive Qualified Zone Academy Bonds in the amount of \$500,000. There is no interest assessed on these bonds. Final payment is November 2024. The Debt Service Fund makes payment on this debt. \$ 500,000 |
| Redfield School District No 56-4 Qualified Zone Academy Bonds, Series 2012 | During June 2012, the School District entered into an agreement to receive Qualified Zone Academy Bonds in the amount of \$1,200,000. There is an interest rate of 4.38% assessed on these bonds. Final payment is June 2027. The Debt Service Fund makes payment on this debt. \$ 1,200,000 |

REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

8. LONG-TERM LIABILITIES: (continued)

The Qualified Zone Academy Bonds program provides bondholders with a tax credit in lieu of cash interest payments. A Sinking fund deposit agreement was required where by the School District makes annual payments of \$25,000, \$33,333, and \$80,000 until November 30, 2017, November 30, 2024, and June 27, 2027 respectively at which time the bonds will mature and be retired.

TERMS

| | | |
|--|---|--------------|
| Capital One Public Funding LLC – Secured by equipment | During 2009, the School District entered into a capital lease/purchase agreement totaling \$1,821,716 for energy conservation measures taken at the school. The interest rate is 6.13%. In 2013 the School District refinanced the capital lease, with an interest rate of 3.75%. Final maturity of the agreement is January 7, 2024. The Capital Outlay fund makes payment on this debt. | \$ 1,206,027 |
| Midwest Leasing Inc. – Secured by equipment | During FY16, the School District entered into a capital lease/purchase agreement totaling \$418,175for computers. The interest rate is 2.73%. Final maturity of the agreement is July 2018. The Capital Outlay fund makes payment on this debt. | \$ 313,631 |

REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

8. LONG-TERM LIABILITIES: (continued)

| | |
|---|-----------|
| Compensated Absences – | |
| Payable from the fund to which payroll expenditures are charged | \$ 32,289 |
| | |
| Early Retirement Benefits – | |
| Payable from the Pension Fund and the Post-High Fund | \$ 13,048 |

The annual requirements to amortize the Qualified Zone Academy Bonds and capital lease/purchase agreements outstanding at June 30, 2016, are as follows:

| <i>Year Ending June 30,</i> | <i>Qualified Zone Academy Bonds</i> | | <i>Capital Outlay Certificates</i> | | <i>Early Retirement Benefits</i> | <i>Totals</i> | |
|-------------------------------------|---|-------------------|------------------------------------|-------------------|--|---------------------|-------------------|
| | <i>Principal</i> | <i>Interest</i> | <i>Principal</i> | <i>Interest</i> | <i>Principal</i> | <i>Principal</i> | <i>Interest</i> |
| | | | | | | | |
| 2017 | \$ - | \$ 39,638 | \$ 233,439 | \$ 53,045 | \$ 13,047 | \$ 246,486 | \$ 92,683 |
| 2018 | 250,000 | 35,696 | 241,259 | 45,225 | -- | 491,259 | 80,921 |
| 2019 | 250,000 | 31,755 | 249,347 | 37,137 | -- | 499,347 | 68,892 |
| 2020 | -- | 28,032 | 147,404 | 28,770 | -- | 147,404 | 56,802 |
| 2021 | -- | 24,528 | 153,043 | 23,131 | -- | 153,043 | 47,659 |
| 2022-2026 | 500,000 | 70,080 | 495,166 | 33,355 | -- | 995,166 | 103,435 |
| 2027 | 1,200,000 | 3,504 | -- | -- | -- | 1,200,000 | 3,504 |
| TOTALS | \$2,200,000 | \$ 233,233 | \$ 1,519,658 | \$ 220,663 | \$ 13,047 | \$ 3,732,705 | \$ 453,896 |

9. INTERFUND TRANSFERS:

Transfers to/from other funds at June 30, 2016, consist of the following:

| | |
|--|------------|
| Transfer from the Capital Outlay Fund to the Debt Service Fund to deposit money towards paying off the Qualified Academy Zone Bonds when their term is complete. | \$ 161,767 |
|--|------------|

This transfer was made to meet the yearly obligations of the Quality Zone Academy Term Bonds which are tracked in the Debt Service Fund until the term is complete at which time the bonds are paid off.

REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

10. RESTRICTED NET POSITION:

Restricted Net Position for the year ended June 30, 2016 was as follows:

| <u>Purpose</u> | <u>Restricted By</u> | <u>Amount</u> |
|--------------------------------------|----------------------|----------------------------|
| Capital Outlay | Law | \$ 1,084,907 |
| Special Education | Law | 436,441 |
| Pension Fund | Law | 192,826 |
| Debt Service | Debt Covenants | 941,482 |
| SDRS Pension Purposes | Law | 1,086,223 |
| <i>Total Restricted Net Position</i> | | <u><u>\$ 3,741,879</u></u> |

11. PENSION PLAN:

a. Plan Information:

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

b. 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.

REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

b. **Benefits Provided:** (continued)

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

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

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

c. **Contributions:**

Per SDCL 3-12, contribution requirements of the active employees and 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% for any compensation exceeding the maximum taxable amount for Social Security for general employees only. The School District’s share of contributions to the SDRS for the years ended June 30, 2016, 2015, and 2014, were \$206,611, \$200,511, \$192,047, and \$195,294, 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, 2015, SDRS is 104.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of June 30, 2016 are as follows:

| | |
|---|----------------------------|
| Proportionate share of net position restricted for pension benefits | \$ 19,725,809 |
| Less proportionate share of total pension liability | 18,949,467 |
| <i>Proportionate share of net pension liability (asset)</i> | <u><u>\$ (776,342)</u></u> |

REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

c. **Contributions:** (continued)

At June 30 2016, the School District reported a liability (asset) of \$ (776,342) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2015 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, 2015, the School District's proportion was .001830441%, which is an increase of .000000089% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense (revenue) of \$(84,709). At June 30, 2016 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <i>Deferred Outflows of Resources</i> | <i>Deferred Inflows of Resources</i> |
|---|---|--|
| Difference between expected and actual experience | \$ 158,960 | \$ -- |
| Changes in assumption | 615,591 | -- |
| Net difference between projected and actual earnings on | 474,254 | 1,145,508 |
| Changes in proportion and difference between District | -- | 29 |
| District contributions subsequent to the measurement date | <u>206,612</u> | <u>--</u> |
| TOTAL | <u>\$ 1,455,417</u> | <u>\$ 1,145,537</u> |

REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

11. PENSION PLAN: (continued)

c. Contributions: (continued)

\$206,612 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, 2017. 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:

| <i>Year Ended</i> | |
|-------------------|--------------------------------|
| <i>June 30,</i> | |
| 2016 | \$ 36,778 |
| 2017 | 36,778 |
| 2018 | (98,974) |
| 2019 | <u>128,686</u> |
| TOTAL | <u><u>\$103,268</u></u> |

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2015 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 2017 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, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

c. **Contributions:** (continued)

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

| <i>Asset Class</i> | <i>Target Allocation</i> | <i>Long-term Expected Real Rate of Return</i> |
|--------------------|------------------------------|---|
| Global equity | 61.0% | 4.5% |
| Fixed income | 27.0% | 1.8% |
| Real estate | 10.0% | 5.5% |
| Cash | 2.0% | 0.8% |
| TOTAL | 100.0% | |

d. **Discount Rate:**

The discount rate used to measure the total pension liability (asset) was 7.25 percent through 2017 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

**REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

11. PENSION PLAN: (continued)

d. Discount Rate: (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 2017 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:

| | <i>1% Decrease</i> | <i>Current</i> | <i>1% Increase</i> |
|---|--------------------|----------------|--------------------|
| School District's proportionate share of the net pension liability (asset) | \$ 1,954,045 | \$ (766,342) | \$ (3,002,738) |

e. Pension Plan Fiduciary Net Position:

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

f. Payables to the Pension Plan:

No payables were reported to the defined benefit plan at end of year.

12. CONSORTIUM INFORMATION:

The School District participates in the North Central Perkin's Consortium for the purpose of providing educational services to the member School Districts. The members of the consortium are as follows with each member district having a determined allocation:

| | |
|---|-----------------------------------|
| Hitchcock-Tulare School District No. 56-6 | Doland School District No. 56-2 |
| Highmore-Harrold School District No. 34-1 | Redfield School District No. 56-4 |
| Faulkton Area School District No. 24-3 | Clark School District No. 12-2 |
| Gettysburg School District No. 53-1 | Bowdle School District No. 22-1 |
| Miller Area School District No. 29-3 | Hoven School District No. 53-2 |
| Wolsey-Wessington School District No. 2-6 | Webster School District No. 18-4 |

The vocational instructors from each participating School District request funds which are approved by the state. Any allocation of and spending of funds is also approved by the state. The Redfield School District acts as the fiscal agent for this consortium.

Financial data for this venture is available from the Redfield School District. At June 30, 2016, this venture had no fund equity and no long-term debt.

REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

13. 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, 2016, the School District managed its risks as follows:

Employee Health Insurance:

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The District pays \$438 towards a single premium for ten and twelve month non-certified staff, \$440 towards a full single for certified staff and full single, two-party or family for administrative staff. The deductible rates are as follows: \$200, \$500, \$1,000 and \$1,500 for single and \$400, \$1,000, \$2,000 and \$3,000 for family.

The plan also provides 80/20 co-pay on the next \$2,500 or \$5,000 depending on the deductible. The plan has no lifetime maximum per person. The pool purchases reinsurance coverage with the premiums it receives from the members. The School District does not carry additional health insurance coverage to pay claims in excess of the 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 ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage.

The School District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident, which could result in a claim being made by or against the School District. The School District pays an annual premium to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage. The School District pays an annual premium to the pool to provide coverage for: General Liability, Automobile Liability, Employee Benefits, School Board Liability, Sexual Harassment, Sexual Abuse, Loss Fund – Liability & Property, Employee Practices Liability, Property and Boiler & Machinery, Crime, and Excess Liability.

The agreement with the ASBSD-PLF provides that the above coverage's will be provided to a \$1,900,000 limit for General Liability, Automobile Liability, Employee Benefits, School Board Liability, Sexual Harassment, Sexual Abuse, and Employee Practices. 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 \$2,500 maintenance deductible for Loss Fund – Liability & Property coverage and \$500 and \$1,000 member deductible for the Property and Boiler & Machinery coverage.

REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

13. RISK MANAGEMENT: (continued)

Liability Insurance: (continued)

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 provided workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, of behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program.

The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members.

The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance, which covers up to \$1,000,000 per individual per incident.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

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

The School District has equity in the Internal Service Fund in the amount of \$11,055 for the payment of future unemployment benefits.

During the year ended June 30, 2016, there were no claims for unemployment benefits were paid. At June 30, 2016, no claims had been filed for unemployment benefits but some are anticipated in the next fiscal year.

REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

14. CONTINGENCY:

Redfield School District is a member of the South Dakota School District Benefits Fund which has been operating at a deficit for several years. At the beginning of FY17, Redfield School District chose to leave the fund. The District is liable for their share of the deficit which is potentially a significant amount. As of the date these financial statements were ready to be issued, the amount of the School District's liability has not been determined, therefore no liability has been recorded.

15. VIOLATIONS OF FIANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS:

The School District is prohibited by statute from spending in excess of appropriated amounts at the fund level. The following represents the significant overdrafts of the expenditures compared to appropriations:

| | |
|---------------------|------------|
| Capital Outlay Fund | \$ 530,360 |
|---------------------|------------|

16. SUBSEQUENT EVENTS:

The School District issued \$15,095,000 of General Obligation Bonds, Series 2016A, and \$7,000,000 of Capital Outlay Certificates for the construction of new school buildings and remodel.

REQUIRED SUPPLEMENTARY INFORMATION

REDFIELD SCHOOL DISTRICT NO. 56-4
REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – BUDGETARY BASIS
JUNE 30, 2016

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>REVENUES</u> | | | | |
| <i>Revenue from Local Sources:</i> | | | | |
| <i>Taxes:</i> | | | | |
| Ad valorem taxes | \$ 1,100,000 | \$ 1,100,000 | \$ 1,450,224 | \$ 350,224 |
| Prior years' ad valorem taxes | 15,000 | 15,000 | 9,338 | (5,662) |
| Tax deed revenue | -- | -- | 4,060 | 4,060 |
| Utility taxes | 50,000 | 50,000 | 85,624 | 35,624 |
| Penalties and interest on taxes | 4,000 | 4,000 | 3,701 | (299) |
| <i>Tuitions and Fees:</i> | | | | |
| Regular day school tuition | 1,200 | 1,200 | 4,200 | 3,000 |
| <i>Earnings on Investments and Deposits</i> | 2,700 | 2,700 | 3,135 | 435 |
| <i>Cocurricular Activities:</i> | | | | |
| Admissions | 35,000 | 35,000 | 43,715 | 8,715 |
| Rentals | 500 | 500 | 2,135 | 1,635 |
| <i>Other Revenue from Local Sources:</i> | | | | |
| Rentals | 500 | 500 | 1,080 | 580 |
| Charges for services | 15,000 | 15,000 | 9,890 | (5,110) |
| Other | 18,700 | 18,700 | 25,005 | 6,305 |
| <i>Revenue from Intermediate Sources:</i> | | | | |
| <i>County Sources:</i> | | | | |
| County apportionment | 17,000 | 17,000 | 38,404 | 21,404 |
| Revenue in lieu of taxes | -- | -- | 635 | 635 |
| <i>Revenue from State Sources:</i> | | | | |
| <i>Grants-in-Aid:</i> | | | | |
| Unrestricted grants-in-aid | 2,008,000 | 2,008,000 | 1,945,998 | (62,002) |
| <i>Revenue from Federal Sources:</i> | | | | |
| <i>Grants-in-Aid:</i> | | | | |
| Restricted grants-in-aid received from Federal government through the state | 301,161 | 301,161 | 291,096 | (10,065) |
| TOTAL REVENUES | 3,568,761 | 3,568,761 | 3,918,240 | 349,479 |

REDFIELD SCHOOL DISTRICT NO. 56-4
REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – BUDGETARY BASIS (CONTINUED)
JUNE 30, 2016

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>EXPENDITURES</u> | | | | |
| <i>Instruction:</i> | | | | |
| <i>Regular Programs:</i> | | | | |
| Elementary | \$ 1,180,664 | \$ 1,235,039 | \$ 1,173,368 | \$ 61,671 |
| High school | 1,169,145 | 1,235,252 | 1,203,176 | 32,076 |
| <i>Special Programs:</i> | | | | |
| Educationally deprived | 170,816 | 170,816 | 171,915 | (1,099) |
| <i>Support Services:</i> | | | | |
| <i>Pupils:</i> | | | | |
| Attendance and social Work | 87,000 | 99,617 | 79,037 | 20,580 |
| Guidance | 86,217 | 86,619 | 80,568 | 6,051 |
| Health | 24,460 | 24,515 | 23,898 | 617 |
| <i>Instructional Staff:</i> | | | | |
| Improvement of instruction | 4,000 | 4,000 | 1,949 | 2,051 |
| Educational media | 165,751 | 172,925 | 152,745 | 20,180 |
| <i>General Administration:</i> | | | | |
| Board of Education | 42,021 | 56,393 | 54,036 | 2,357 |
| Executive administration | 133,378 | 134,242 | 130,311 | 3,931 |
| <i>School Administration:</i> | | | | |
| Office of the principal | 240,589 | 245,096 | 225,326 | 19,770 |
| <i>Business:</i> | | | | |
| Fiscal services | 91,710 | 94,023 | 89,182 | 4,841 |
| Operation and maintenance of plant | 455,905 | 465,299 | 431,599 | 33,700 |
| Pupil transportation | 162,076 | 169,138 | 140,642 | 28,496 |
| Internal services | 9,000 | 9,000 | 8,836 | 164 |
| <i>Cocurricular Activities:</i> | | | | |
| Male activities | 53,514 | 55,446 | 50,771 | 4,675 |
| Female activities | 41,381 | 42,243 | 38,325 | 3,918 |
| Transportation | 15,911 | 15,911 | 12,133 | 3,778 |
| Combined activities | 45,820 | 48,701 | 44,378 | 4,323 |
| <i>Contingencies</i> | 75,000 | 75,000 | -- | 75,000 |
| <i>Transfers</i> | -- | (73,834) | -- | (73,834) |
| TOTAL EXPENDITURES | 4,254,358 | 4,365,441 | 4,112,195 | 253,246 |
| <i>Excess of Revenue Over (Under) Expenditures</i> | (685,597) | (796,680) | (193,955) | 602,725 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Sale of surplus property | -- | -- | 6,653 | 6,653 |
| <i>Excess of Revenue and other Sources Over (Under) Expenditures</i> | (685,597) | (796,680) | (187,302) | 609,378 |
| <i>FUND BALANCE, Beginning of Year</i> | 1,888,247 | 1,888,247 | 1,888,247 | -- |
| <i>FUND BALANCE, End of Year</i> | \$ 1,202,650 | \$ 1,091,567 | \$ 1,700,945 | \$ 609,378 |

REDFIELD SCHOOL DISTRICT NO. 56-4
REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE – CAPITAL OUTLAY FUND – BUDGETARY BASIS
JUNE 30, 2016

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> | <u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u> |
|---|----------------------------|----------------------------|---------------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>REVENUES</u> | | | | |
| <i>Revenue from Local Sources:</i> | | | | |
| <i>Taxes:</i> | | | | |
| Ad valorem taxes | \$ 1,310,000 | \$ 1,310,000 | \$ 1,253,787 | \$ (56,213) |
| Prior years' ad valorem taxes | 5,000 | 5,000 | 3,629 | (1,371) |
| Penalties and interest on taxes | 2,000 | 2,000 | 2,487 | 487 |
| <i>Revenue from Local Sources:</i> | | | | |
| Rentals | 12,000 | 12,000 | 6,123 | (5,877) |
| Contributions and donations | 30,000 | 30,000 | 83,153 | 53,153 |
| <i>Revenue from Intermediate Sources:</i> | | | | |
| Revenue in lieu of taxes | -- | -- | 204 | 204 |
| TOTAL REVENUES | <u>1,359,000</u> | <u>1,359,000</u> | <u>1,349,383</u> | <u>(9,617)</u> |
| <u>EXPENDITURES</u> | | | | |
| <i>Instruction:</i> | | | | |
| <i>Regular Programs:</i> | | | | |
| Elementary | -- | 922 | 419,097 | (418,175) |
| High school | 6,000 | 6,000 | 4,387 | 1,613 |
| <i>Support Services:</i> | | | | |
| <i>Instructional Staff:</i> | | | | |
| Educational media | 40,000 | 40,000 | 27,335 | 12,665 |
| <i>Business:</i> | | | | |
| Facilities acquisition and construction | -- | 7,324 | 157,804 | (150,480) |
| Operation and maintenance of plant | 548,914 | 678,189 | 644,555 | 33,634 |
| Internal services | 30,000 | 30,453 | 30,453 | -- |
| <i>Debt Services</i> | <i>323,500</i> | <i>338,688</i> | <i>338,688</i> | <i>--</i> |
| TOTAL EXPENDITURES | <u>948,414</u> | <u>1,101,576</u> | <u>1,622,319</u> | <u>(520,743)</u> |
| <i>Excess of Revenue Over (Under)</i> | | | | |
| <i>Expenditures</i> | <u>410,586</u> | <u>257,424</u> | <u>(272,936)</u> | <u>(530,360)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers out | 159,200 | 161,767 | (161,767) | -- |
| Proceeds from general long-term debt issued | -- | -- | 418,175 | 418,175 |
| Sale of surplus property | -- | -- | 17,400 | 17,400 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>159,200</u> | <u>161,767</u> | <u>273,808</u> | <u>435,575</u> |
| <i>Excess of Revenue and Other Sources Over (Under)</i> | | | | |
| <i>Expenditures</i> | 251,386 | 95,657 | 872 | (94,785) |
| FUND BALANCE, Beginning of Year | <u>1,084,035</u> | <u>1,084,035</u> | <u>1,084,035</u> | <u>--</u> |
| FUND BALANCE, End of Year | <u>\$ 1,335,421</u> | <u>\$ 1,179,692</u> | <u>\$ 1,084,907</u> | <u>\$ (94,785)</u> |

REDFIELD SCHOOL DISTRICT NO. 56-4
REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE – SPECIAL EDUCATION FUND – BUDGETARY BASIS
JUNE 30, 2016

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> | <u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u> |
|--|-------------------------|-------------------|---------------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>REVENUES</u> | | | | |
| <i>Revenue from Local Sources:</i> | | | | |
| <i>Taxes:</i> | | | | |
| Ad valorem taxes | \$ 540,000 | \$ 540,000 | \$ 539,944 | \$ (56) |
| Prior years' ad valorem taxes | 2,500 | 2,500 | 1,639 | (861) |
| Penalties and interest on taxes | 1,000 | 1,000 | 1,159 | 159 |
| <i>Other Revenue from Local Sources:</i> | | | | |
| Charges for services | 4,000 | 4,000 | 3,649 | (351) |
| <i>Revenue from Intermediate Sources:</i> | | | | |
| Revenue in lieu of taxes | -- | -- | 98 | 98 |
| <i>Revenue from State Sources:</i> | | | | |
| <i>Grants-in-Aid:</i> | | | | |
| Restricted grants-in-aid | 644,000 | 644,000 | 545,296 | (98,704) |
| <i>Revenue from Federal Sources:</i> | | | | |
| <i>Grants-in-Aid:</i> | | | | |
| Restricted grants-in-aid received from Federal government through the state | 214,860 | 214,860 | 205,571 | (9,289) |
| TOTAL REVENUES | <u>1,406,360</u> | <u>1,406,360</u> | <u>1,297,356</u> | <u>(109,004)</u> |
| <u>EXPENDITURES</u> | | | | |
| <i>Instruction:</i> | | | | |
| <i>Special Programs:</i> | | | | |
| Programs for special education | 903,873 | 954,295 | 935,067 | 19,228 |
| <i>Support Services:</i> | | | | |
| <i>Pupils:</i> | | | | |
| Guidance | 14,514 | 14,514 | 14,001 | 513 |
| Health | 4,040 | 4,040 | 4,004 | 36 |
| Psychological | 88,000 | 88,000 | 44,272 | 43,728 |
| Student therapy services | 36,000 | 43,309 | 43,309 | -- |
| <i>Special Education:</i> | | | | |
| Administration costs | 103,230 | 104,715 | 103,633 | 1,082 |
| Transportation costs | 10,000 | 13,577 | 13,577 | -- |
| Other special education costs | 107,530 | 108,233 | 107,405 | 828 |
| TOTAL EXPENDITURES | <u>1,267,187</u> | <u>1,330,683</u> | <u>1,265,268</u> | <u>65,415</u> |
| <i>Excess of Revenue Over (Under) Expenditures</i> | <u>139,173</u> | <u>75,677</u> | <u>32,088</u> | <u>(43,589)</u> |
| <i>FUND BALANCE, Beginning of Year</i> | <u>404,353</u> | <u>404,353</u> | <u>404,353</u> | <u>--</u> |
| <i>FUND BALANCE, End of Year</i> | <u>\$ 543,526</u> | <u>\$ 480,030</u> | <u>\$ 436,441</u> | <u>\$ (43,589)</u> |

REDFIELD SCHOOL DISTRICT NO. 56-4
REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE – PENSION FUND – BUDGETARY BASIS
JUNE 30, 2016

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> | <u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u> |
|--|-------------------------|-----------------------|---------------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>REVENUES</u> | | | | |
| <i>Revenue from Local Sources:</i> | | | | |
| <i>Taxes:</i> | | | | |
| Ad valorem taxes | \$ 131,000 | \$ 131,000 | \$ 125,359 | \$ (5,641) |
| Prior years' ad valorem taxes | 500 | 500 | 376 | (124) |
| Penalties and interest on taxes | -- | -- | 249 | 249 |
| <i>Revenue from Intermediate Sources:</i> | | | | |
| Revenue in lieu of taxes | -- | -- | 20 | 20 |
| TOTAL REVENUES | <u>131,500</u> | <u>131,500</u> | <u>126,004</u> | <u>(5,496)</u> |
| <u>EXPENDITURES</u> | | | | |
| <i>Instruction:</i> | | | | |
| <i>Regular Programs:</i> | | | | |
| Elementary | 55,761 | 55,761 | -- | 55,761 |
| High school | 55,760 | 55,760 | -- | 55,760 |
| <i>Nonprogrammed Charges:</i> | | | | |
| Early retirement payments | 19,979 | 19,979 | 19,978 | 1 |
| TOTAL EXPENDITURES | <u>131,500</u> | <u>131,500</u> | <u>19,978</u> | <u>111,522</u> |
| <i>Excess of Revenue Over (Under) Expenditures</i> | -- | -- | 106,026 | 106,026 |
| <i>FUND BALANCE - Beginning of Year</i> | <u>86,800</u> | <u>86,800</u> | <u>86,800</u> | <u>--</u> |
| <i>FUND BALANCE - End of Year</i> | <u>\$ 86,800</u> | <u>\$ 86,800</u> | <u>\$ 192,826</u> | <u>\$ 106,026</u> |

REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

1. BUDGETS AND BUDGETARY ACCOUNTING:

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

- a. Prior to the first regular board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
- c. The proposed budget is published for public review no later than July 15 each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
- f. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted except as indicated in Item (h).
- g. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total School District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
- h. 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.
- i. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
- j. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- k. Budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

REDFIELD SCHOOL DISTRICT NO. 56-4
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

2. USGAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES:

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

**REDFIELD SCHOOL DISTRICT NO. 56-4
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)
SOUTH DAKOTA RETIREMENT SYSTEM**

| | 2016 | 2015 |
|--|---------------------|-----------------------|
| District's proportion of the net pension liability (asset) | 0.183044100% | 0.183035200% |
| District's proportionate share of net pension liability (asset) | \$ (766,342) | \$ (1,318,694) |
| District's covered-employee payroll | \$ 3,341,848 | \$ 3,200,783 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | -22.93% | -41.20% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 104.10% | 107.29% |

REDFIELD SCHOOL DISTRICT NO. 56-4
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS
SOUTH DAKOTA RETIREMENT SYSTEM

| | <i>2016</i> | <i>2015</i> |
|---|----------------------------|----------------------------|
| Contractually required contribution | \$ 206,612 | \$ 200,511 |
| Contributions in relation to the contractually required contribution | <u>206,612</u> | <u>200,511</u> |
| Contribution deficiency (excess) | <u><u>\$ --</u></u> | <u><u>\$ --</u></u> |
| District's covered-employee payroll | \$ 3,443,515 | \$ 3,341,850 |
| Contributions as a percentage of covered-employee payroll | 6.00% | 6.00% |