

ROSHOLT SCHOOL DISTRICT NO. 54-4  
ROSHOLT, SOUTH DAKOTA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDING JUNE 30, 2015  
WITH INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDIT SERVICES, P.C.**

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Benjamin Elliott, CPA  
P.O. Box 262  
Madison, South Dakota 57042

ROSHOLT SCHOOL DISTRICT NO. 54-4  
ROSHOLT, SOUTH DAKOTA

TABLE OF CONTENTS TO THE FINANCIAL REPORT  
AS OF AND FOR THE FISCAL YEAR ENDING JUNE 30, 2015

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FINANCIAL SECTION

- 1 Independent Auditor's Report
- 3 Management's Discussion and Analysis (MD&A)  
(Required Supplementary Information)

Basic Financial Statements:

*Government-Wide Financial Statements:*

- 9 Statement of Net Position
- 10 Statement of Activities

*Fund Financial Statements:*

Governmental Funds:

- 11 Balance Sheet
- 12 Statement of Revenues, Expenditures, and Changes in Fund Balance

Enterprise Funds:

- 14 Statement of Net Position
- 15 Statement of Revenues, Expenses, and Changes in Net Position
- 16 Statement of Cash Flows

Fiduciary Funds:

- 17 Statement of Fiduciary Net Position

- 18 *Notes to the Financial Statements*

REQUIRED SUPPLEMENTARY INFORMATION SECTION OTHER THAN MD&A

Budgetary Comparison Schedules - Budgetary Basis:

- 38 General Fund
- 39 Capital Outlay Fund
- 40 Special Education Fund
- 41 Notes to Budgetary Comparison Schedules

Pension Schedules:

- 42 Schedule of the School District's Proportional Share of Net Pension Asset
- 42 Schedule of the School District's Contributions

GOVERNMENTAL SECTION

- 43 Report on Compliance and Other Matters and on Internal Control over  
Financial Reporting Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*
- 45 Schedule of Prior Audit Findings
- 45 Schedule of Current Audit Findings and Responses

NOTE: All figures shown in this financial report are in U.S. dollars.  
For space considerations, the "\$" symbol is not used.

# INDEPENDENT AUDIT SERVICES, PC

Benjamin Elliott, CPA  
P.O. Box 262,  
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School Board  
Rosholt School District No. 54-4  
Rosholt, South Dakota

## INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Rosholt School District No. 54-4 (School District), Roberts County, South Dakota as of June 30, 2015 and for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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 amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk 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, I 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.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my unmodified audit opinions on governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Rosholt School District, Roberts County, South Dakota, as of June 30, 2015, and the respective changes in its financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Adoption of New Accounting Standard

As described in note 12 to the financial statements, the Rosholt School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of July 1, 2014. My opinion is not modified with respect to this matter.

Other Matters - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (page 3 to 8), the budgetary comparison schedules (page 38 to 41), schedule of net pension liability (asset) (page 42), and schedule of pension contributions (page 42) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 formation and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report (page 43) dated March 21, 2016 on my tests of the Rosholt School District's compliance with certain provisions of laws, regulations, contracts and other matters and my consideration of its internal control over financial reporting. The purpose of that report is to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on compliance or internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's compliance and internal control over financial reporting.

Independent Audit Services, PC  
Benjamin Elliott, CPA  
Madison, South Dakota



March 21, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the Rosholt School District No. 54-4's (School District) annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year ending June 30, 2015. Please read it in conjunction with the School District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Financial highlights for the Rosholt School District are as follows:

For the year ending June 30, 2015:

Revenue:	
Charges for goods and services	136,660
Operating grants	190,055
Capital grants	0
General receipts	2,212,691
Pension related	85,580
	-----
Total	2,624,986
	-----
Expenses:	
Governmental	2,294,514
Business-type	167,200
	-----
Total	2,461,714
	-----
Increase in Net Position	163,272
Net Position:	
July 1, 2014, adjusted	4,219,851
	-----
June 30, 2015	4,383,123
	=====
Governmental Funds:	
General	1,377,363
Capital Outlay	744,284
Special Education	373,915
Pension	30,848
Long-term Debt	(1,269,585)
Capital Assets	3,105,081
Business-Type Funds:	
Food Service	13,717
Day Care (MASH)	7,500
	-----
Total	4,383,123
	=====

During the year ending June 30, 2015 the School District:

- \* Capitalized the following purchases:
  - Honeywell building improvements for \$300,385.
  - Computer equipment purchases for \$54,722.
- \* Received proceeds from a 2014 Rural Electric Economic Development loan of \$300,000.
- \* Received proceeds from a 2014 Digitized equipment lease purchase of \$46,302
- \* Made the following principal payments:
  - 2003 Rural Electric Economic Development Loan of \$6,667.
  - 2008 Rural Electric Economic Development Loan of \$30,000.
  - 2011 Limited Tax GO Certificates of \$130,000.
  - 2012 Copier capital lease of \$4,825.
  - 2014 Digitized equipment lease of \$14,297.

BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This financial report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement-34.

The financial report consists of three parts: (1) management's discussion and analysis (page 3 to 8), (2) the basic financial statements (page 9 to 37) and (3) required supplementary information (page 38 to 42). The basic financial statements include two types of statements that present the School District from two different financial points of view.

Government-wide financial statements (View #1):

The first two statements are government-wide financial statements that provide both long-term and short-term information about the School District's overall financial status.

Fund financial statements (View #2):

The remaining financial statements are fund financial statements that focus on significant operations of the governmental, enterprise, and fiduciary activities of the School District.

The governmental fund financial statements tell how general governmental services were financed in the short-term, as well as what remains for future spending. Governmental funds operated by the School District are the general fund, capital outlay fund, special education, and pension fund.

The enterprise fund financial statements offer short-term and long-term financial information about the activities of the School District that operate like a business. Enterprise fund operated by the School District are the food service fund and a day care fund, which includes a drives education program.

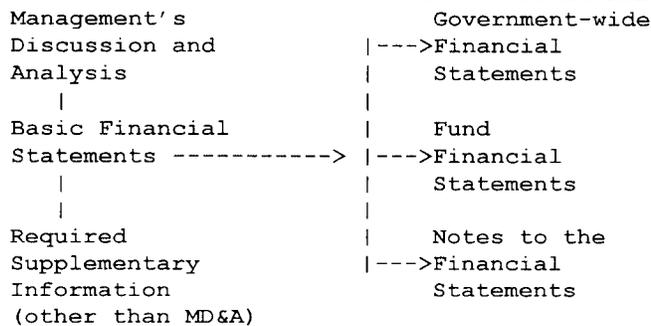
The fiduciary fund financial statements provide information about the financial status of activities (like student council or the music club) in which the School District acts solely as a trustee or agent for the benefit of those groups to whom these funds belong. The School District only has agency fiduciary funds.

The financial statements include notes that explain in more detail some of the information found in the financial statements. The financial statements are also followed by a section of required supplementary information that presents a budgetary analysis and pension information.

Required Supplementary Information:

This Management's Discussion and Analysis (page 3 to 8), the Budgetary Comparison Schedules, the Schedule of Net Pension Liability (Asset) (page 42), and the Schedule of Pension Contributions (page 42) is financial information required to be presented by GASB. Such information provides readers of this report with additional data that supplements the government-wide statements and fund financial statements. The Budgetary Comparison Schedules are presented on a budgetary basis of accounting, which reports capital expenditures within their respective expenditure function rather than as a separate capital outlay expenditure.

Here is an overview of the School District's financial statements.



Here is a summary of the major features of these financial statement.

	Government-wide	Fund Statements		
	Statements	Governmental Funds	Enterprise Funds	Fiduciary Funds
Scope	Entire School (except fiduciary funds)	School Activities except Enterprise (food service) and Fiduciary (student organizations)	Activities operated like a private business (food service)	School's custody of money that belongs to others
Required Financial Statements	Statement of Net Position	Balance Sheet	Statement of Net Position	Statement of Fiduciary Net position
	Statement of Activities	Statement on Revenues, Expenditures and Changes in Fund Balances	Statement of Revenues, Expenses and Changes in Fund Net Position Statement of Cash Flows	Statement of Changes in Fiduciary Net Position
Basis of Accounting	Accrual	Modified accrual	Accrual	Accrual
Measurement Focus	Economic resources	Current financial resources	Economic resources	Economic resources
Types of Assets & Liabilities	All - Financial and capital, short- and long-term	Only current financial assets and liabilities No capital assets	All - Financial and capital, short- and long-term	All - Financial and capital (if any), short- and long-term
Types of Revenue and Expenditures or Expense	All - Regardless of when cash is received	Revenues when cash is received during year or within 60 days of year-end Expenditures when goods or services are received and payment is due during year or soon after year-end	All - Regardless of when cash is received	All - Regardless of when cash is received

#### GOVERNMENT-WIDE STATEMENTS

(Reporting the School District as a whole)

The government-wide statements (page 9 and 10) report information about the School District as a whole using accounting methods similar to those used for private companies. There are two government-wide statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position includes all of the government's assets, liabilities and pension amounts. Net position is the difference between assets and liabilities. Changes in these accounts is one way to measure the school's financial health. Increases or decreases in net position measures improvements or declines in the school's financial health. To assess the school's overall financial health you also need to consider other factors such as changes in the student enrollment, property tax base and/or changes in federal and state grants and aid.

The Statement of Activities includes all of the year's revenues and expenses. You will notice that expenses are listed in the first column by program. Revenues related each program are reported to the right of the expense. The result is a net revenue/expense for each program. After listing program activity, general receipts of the school are listed, which include all taxes and interest earned.

The government-wide financial statements have two broad categories of information: governmental activity and business-type activity.

The governmental activities include (1) basic instructional services such as elementary, high school, and special education programs, (2) support services such as guidance, library, administration, and transportation, (3) debt services such as payments on the School District's REED loans, capital lease and limited tax GO certificates, and (4) extracurricular activities such as sports and music. Property taxes, state and federal grants, and interest earnings finance most of these activities.

The business-type activities account for the School District's breakfast and lunch food service program, a day care program and a driver's education program. These programs are funded in part by user fees and in part by state and federal grants.

#### FUND FINANCIAL STATEMENTS

(Reporting the School District's most significant funds)

The fund financial statements (page 11 to 17) provide more detailed information about the School District's most significant funds, not the School District as a whole. Funds are accounting tools used to keep track of the receipt and disbursement of School District's resources. State law requires the use of some funds and the school board establishes other funds to manage money for a specific purpose, like a capital project fund for a new building.

The fund financial statements show information in three broad categories: governmental, enterprise (business-type), and fiduciary.

**Governmental funds:** Most of the School District's basic services are included in the governmental funds, which focus on (1) how cash, and other financial assets which can readily be converted into cash, flow in and out of that fund, and (2) the balances left at year-end that are available for spending in the next year. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources available for spending in the near future to finance the School District'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 to reconcile the differences between the governmental fund statements and the government-wide statements.

**Enterprise fund:** Services for which the School District charges the customer a fee are generally reported in enterprise funds. Enterprise funds, like the government-wide statements, provide both short-term and a long-term financial information. The food service fund and the day care fund, including the driver's education program, are the only enterprise fund maintained by the School District.

**Fiduciary funds:** The School District is the agent (or fiduciary) for various external and internal parties. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position. Fiduciary funds are excluded from the School District's government-wide financial statements because the School District cannot use these assets to finance the School District's operations.

MATERIAL CHANGES IN STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

Year Ending June 30, 2015:

(Material changes for governmental activities = changes greater than \$125,000)  
 (Material changes for business-type activities = changes greater than \$ 10,000)

	Increase (Decrease)	Reason
Governmental Activities:		
Current assets	114,000	Reflects an increase in net position from operations
Capital assets	195,000	Net increase from Honeywell building improvements and equipment lease less depreciation
Other assets	798,000	Initial year to include SDRS pension
Long-term liabilities	121,000	Proceeds from a new REED loan and equipment lease less debt principal reduction
Deferred inflows	524,000	Initial year to include SDRS pension
Business-type Activities:		
Current assets	(11,000)	Reflects a decrease in net position from operations
Other assets	29,000	Initial year to include SDRS pension
Deferred inflows	20,000	Initial year to include SDRS pension
Food service expense	21,000	Increased cost of purchased food
Day Care (MASH)	(11,000)	Program ended in FY14

SIGNIFICANT VARIATIONS BETWEEN ORIGINAL AND FINAL GENERAL FUND BUDGET

The School District's general fund budget of \$1,752,240 for the FY15 year is a decrease of \$21,481 or 1.21% from FY14. The increase was spread across several line items. There were no supplemental appropriations to the general fund budget. See page 38 for more information.

SIGNIFICANT CAPITAL ASSET ACTIVITY

Significant capital asset activity is reported above. See also page 35.

At June 30, 2015, the School District had invested \$3,110,248 in a broad range of capital assets, including land, buildings, improvements and equipment. This amount represents a net increase (including additions and deductions) of \$193,422 or 6.63% from June 30, 2014. The increase is primarily due to vehicle purchases.

SIGNIFICANT LONG-TERM DEBT ACTIVITY

Principal payments on debt is reported above. All debt payments have been made as agreed. See page 36 and 37 for more information.

CURRENTLY KNOWN FACTS

In FY16 the School District:

- \* Purchased a 2016 Blue Bird 59 passenger bus utilizing a 4 year financing option for \$80,717.
- \* Purchased a new freezer for the kitchen for \$12,760.
- \* Will be building a new bus barn for approximately \$150,000 from local funds.

Student enrollments are:	FY10	218	FY14	215
	FY11	222	FY15	215
	FY12	224	FY16	230
	FY13	224		

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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 Rosholt School District's business office at P.O. Box 106, Rosholt, SD 57260.

TABLE 1 - NET POSITION (condensed and in thousands)  
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS  
 AS OF JUNE 30, 2015 AND JUNE 30, 2014

	Governmental Activities		Business-Type Activities		Total Government	
	FY15	FY14	FY15	FY14	FY15	FY14
<b>Assets:</b>						
Current assets	2,951	2,837	11	22	2,962	2,859
Capital assets	3,105	2,910	5	6	3,110	2,916
Other assets and def. outflow	798		29		827	0
<b>Total assets and def. outflow</b>	<b>6,854</b>	<b>5,747</b>	<b>45</b>	<b>28</b>	<b>6,899</b>	<b>5,775</b>
<b>Liabilities and deferred inflows:</b>						
Current liabilities	410	370	4	1	414	371
Long-term debt outstanding	1,059	938			1,059	938
Deferred inflows	1,023	499	20		1,043	499
<b>Total liabilities and deferred inflows</b>	<b>2,492</b>	<b>1,807</b>	<b>24</b>	<b>1</b>	<b>2,516</b>	<b>1,808</b>
<b>Net position:</b>						
Net capital assets	1,835	1,801	5	6	1,840	1,807
Restricted	1,457	1,087	13		1,470	1,087
Unrestricted	1,070	1,052	3	21	1,073	1,073
<b>Total net position</b>	<b>4,362</b>	<b>3,940</b>	<b>21</b>	<b>27</b>	<b>4,383</b>	<b>3,967</b>

TABLE 2 - CHANGES IN NET POSITION (condensed and in thousands)  
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDING JUNE 30, 2015  
 FOR THE FISCAL YEAR ENDING JUNE 30, 2014

	Governmental Activities		Business-Type Activities		Total Government	
	FY15	FY14	FY15	FY14	FY15	FY14
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	50	55	86	88	136	143
Operating grants and contri.	128	165	62	65	190	230
Capital grants and contri.					0	0
<b>General revenues:</b>						
Property taxes	1,182	1,093			1,182	1,093
Gross receipts tax	116	45			116	45
State sources	880	893			880	893
County sources	31	23			31	23
Interest earned	4	3			4	3
Donations	1	18			1	18
Other general revenue		1			0	1
Pension related	82		4		86	0
<b>Total revenues</b>	<b>2,474</b>	<b>2,296</b>	<b>152</b>	<b>153</b>	<b>2,626</b>	<b>2,449</b>
<b>Expenses:</b>						
Instruction	1,396	1,292			1,396	1,292
Support services	712	589			712	589
Cocurricular activities	165	161			165	161
Interest and fees on debt	21	20			21	20
Food service			165	144	165	144
Day care			2	13	2	13
<b>Total expenses</b>	<b>2,294</b>	<b>2,062</b>	<b>167</b>	<b>157</b>	<b>2,461</b>	<b>2,219</b>
<b>Transfer in (out): None</b>						
<b>Net position increase (decrease)</b>	<b>180</b>	<b>234</b>	<b>(15)</b>	<b>(4)</b>	<b>165</b>	<b>230</b>
<b>Net position:</b>						
June 30, 2013		3,706		31		3,737
June 30, 2014	3,940	3,940	27	27	3,967	3,967
Adjustments	242		9		251	
<b>June 30, 2015</b>	<b>4,362</b>		<b>21</b>		<b>4,383</b>	

ROSHOLT SCHOOL DISTRICT NO. 54-4  
STATEMENT OF NET POSITION  
ROSHOLT SCHOOL DISTRICT NO. 54-4  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2015

	Primary Government		
	Governmental	Business-	Total
	Activities	Type	
	-----	-----	-----
		Activities	
		-----	
<b>ASSETS</b>			
Current assets:			
Cash	2,291,342	7,500	2,298,842
Advanced to trust & agency imprest	4,000		4,000
Receivables:			
Property taxes - current	536,141		536,141
Property taxes - delinquent	13,444		13,444
Due from other governments	71,445		71,445
Accounts		517	517
Inventory	34,815	3,161	37,976
	-----	-----	-----
Total current assets	2,951,187	11,178	2,962,365
Capital assets:			
Land	42,234		42,234
Other capital assets, net of accumulated depreciation	3,062,847	5,167	3,068,014
	-----	-----	-----
Total capital assets	3,105,081	5,167	3,110,248
Other assets:			
Internal balances	3,656	(3,656)	0
Net pension assets	420,138	17,506	437,644
	-----	-----	-----
Total assets	6,480,062	30,195	6,510,257
	=====	=====	=====
DEFERRED OUTFLOW OF RESOURCES			
Pension related deferred outflows	374,213	15,592	389,805
	-----	-----	-----
Total deferred outflow of resources	374,213	15,592	389,805
	=====	=====	=====
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	14,732		14,732
Contracts payable	137,642	53	137,695
Payroll deductions payable	47,679	7	47,686
Revenue received in advance		4,235	4,235
Noncurrent liabilities due in one year:			
2008 Rural Electric Economic Dev Loan	30,000		30,000
2014 Rural Electric Economic Dev Loan	30,000		30,000
2011 Limited Tax GO Certificates	130,000		130,000
2013 Capital Lease (2 copiers)	4,839		4,839
2014 Capital Lease (digitizers)	15,463		15,463
	-----	-----	-----
Total current liabilities	410,355	4,295	414,650
Noncurrent liabilities:			
2008 Rural Electric Economic Dev Loan	92,500		92,500
2014 Rural Electric Economic Dev Loan	270,000		270,000
2011 Limited Tax GO Certificates	675,000		675,000
2013 Capital Lease (2 copiers)	5,241		5,241
2014 Capital Lease (digitizers)	16,542		16,542
	-----	-----	-----
Total noncurrent liabilities	1,059,283	0	1,059,283
	-----	-----	-----
Total liabilities	1,469,638	4,295	1,473,933
	=====	=====	=====
DEFERRED INFLOW OF RESOURCES			
Taxes levied for a future period	536,141		536,141
Pension related deferred inflows	486,590	20,275	506,865
	-----	-----	-----
Total deferred inflow of resources	1,022,731	20,275	1,043,006
	=====	=====	=====
<b>NET POSITION</b>			
Net invested in capital assets	1,835,496	5,167	1,840,663
Restricted for:			
Capital outlay	744,284		744,284
Special education	373,915		373,915
Pension	30,848		30,848
SDRS pension purposes	307,760	12,823	320,583
Unrestricted	1,069,603	3,227	1,072,830
	-----	-----	-----
Total net position	4,361,906	21,217	4,383,123
	=====	=====	=====

See accompanying notes.

ROSHOLT SCHOOL DISTRICT NO. 54-4

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDING JUNE 30, 2015

Functions/Programs:	Program Revenues			Net Revenue (Expense) and Changes in Net Position			
	Expenses	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government:							
Governmental activities:							
Instruction	1,396,503		126,698		(1,269,805)		(1,269,805)
Support services	711,894	5,521			(706,373)		(706,373)
Cocurricular activities	165,218	44,639	1,627		(118,952)		(118,952)
Interest and fees (all)	20,899				(20,899)		(20,899)
Total governmental activities	2,294,514	50,160	128,325	0	(2,116,029)	0	(2,116,029)
Business-type activities:							
Food service	164,877	84,350	61,730			(18,797)	(18,797)
Day Care (MASH)	16					(16)	(16)
Driver's Ed	2,307	2,150				(157)	(157)
Total primary government	2,461,714	136,660	190,055	0	(2,116,029)	(18,970)	(2,134,999)
	=====	=====	=====	=====	-----	-----	-----
General revenue:							
Property taxes					1,181,693		1,181,693
Gross receipts tax					116,334		116,334
Revenue from state sources:							
State aid					841,304		841,304
State apportionment					12,523		12,523
Bank franchise					21,002		21,002
Other					5,000		5,000
Revenue from county sources					30,609		30,609
Interest earned					3,587		3,587
Donations					639		639
Pension related					82,157	3,423	85,580
Total general revenue					2,294,848	3,423	2,298,271
					-----	-----	-----
Change in net position					178,819	(15,547)	163,272
Net position, July 1, 2014					3,941,107	27,364	3,968,471
Restatement for pension accounting:							
Pension net assets at 6-30-2014					164,417	6,851	171,268
Deferred outflow of resources related to contributions made during FY14					61,187	2,549	63,736
Correct prior year accts receivable					16,376		16,376
July 1, 2014 adjusted					4,183,087	36,764	4,219,851
					-----	-----	-----
Net position, June 30, 2015					4,361,906	21,217	4,383,123
					=====	=====	=====

See accompanying notes.

ROSHOLT SCHOOL DISTRICT NO. 54-4  
BALANCE SHEET -- GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
<b>ASSETS:</b>					
Cash	1,137,427	740,072	383,222	30,621	2,291,342
Advanced to trust & agency imprest	4,000				4,000
Receivables:					
Property taxes - current	239,254	199,887	76,997	20,003	536,141
Property taxes - delinquent	9,067	3,217	1,032	128	13,444
Due from other governments	69,499	995	852	99	71,445
Due from other funds	3,656				3,656
Inventory of supplies	34,815				34,815
<b>Total assets</b>	<b>1,497,718</b>	<b>944,171</b>	<b>462,103</b>	<b>50,851</b>	<b>2,954,843</b>
<b>LIABILITIES:</b>					
Accounts payable	14,732				14,732
Contracts payable	129,698		7,944		137,642
Payroll deductions payable	44,432		3,247		47,679
<b>Total liabilities</b>	<b>188,862</b>	<b>0</b>	<b>11,191</b>	<b>0</b>	<b>200,053</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>					
Taxes levied for a future period	239,254	199,887	76,997	20,003	536,141
Unavailable revenue:					
Property taxes - delinquent	9,067	3,217	1,032	128	13,444
<b>Total deferred inflow of resources</b>	<b>248,321</b>	<b>203,104</b>	<b>78,029</b>	<b>20,131</b>	<b>549,585</b>
<b>FUND BALANCE:</b>					
Nonspendable	34,815				34,815
Restricted		741,067	372,883	30,720	1,144,670
Committed					0
Assigned	54,897				54,897
Unassigned	970,823				970,823
<b>Total fund balance</b>	<b>1,060,535</b>	<b>741,067</b>	<b>372,883</b>	<b>30,720</b>	<b>2,205,205</b>
<b>Total liabilities, deferred inflow of resources and fund balance</b>	<b>1,497,718</b>	<b>944,171</b>	<b>462,103</b>	<b>50,851</b>	<b>2,954,843</b>

Reconciliation of the above balance sheet - governmental funds to the government-wide statement of net position

Total fund balance - governmental funds (above) 2,205,205

Amounts reported in the government-wide statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore not reported as assets in governmental funds. Therefore:  
Add the cost of capital assets 6,210,162  
Subtract the associated accumulated depreciation (3,105,081)

These pension related amounts are not an available financial resource and therefore are not reported in the funds.  
Net pension assets 420,138  
Deferred outflow of resources 374,213  
Deferred inflow of resources (486,590)

Long-term liabilities are not due and payable in the current period. Therefore, subtract the following long-term liabilities:  
2008 Rural Electric Economic Dev Loan (122,500)  
2014 Rural Electric Economic Dev Loan (300,000)  
2011 Limited Tax GO Certificates (805,000)  
2012 Capital Lease (2 copiers) (10,080)  
2012 Capital Lease (digitizers) (32,005)

Assets such as taxes receivable (delinquent) are not available to pay of current period expenditures and therefore are deferred in the funds. 13,444

Total net position on government-wide statement of net position 4,361,906

See accompanying notes.

ROSHOLT SCHOOL DISTRICT NO. 54-4

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS  
FOR THE YEAR ENDING JUNE 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
<b>Revenue:</b>					
Revenue from local sources:	-----	-----	-----	-----	-----
Taxes:					
Ad valorem taxes	532,811	426,104	160,776	41,021	1,160,712
Prior year ad valorem taxes	8,333	4,217	1,545	384	14,479
Penalties and interest	1,370	1,029	379	94	2,872
Gross receipts	116,334				116,334
Interest earned	2,415	1,066	106		3,587
Cocurricular activities:					
Admissions	19,214				19,214
Student activities	16,320				16,320
Other revenue from local sources:					
Donations	639				639
Medicaid administration	2,194		3,327		5,521
Other	9,104				9,104
Total revenue from local sources	708,734	432,416	166,133	41,499	1,348,782
Revenue from intermediate sources:					
County sources:					
County apportionment	30,609				30,609
Revenue from state sources:					
Unrestricted grants-in-aid	879,829				879,829
Revenue from federal sources:					
Restricted grants-in-aid	128,326				128,326
Total revenues	1,747,498	432,416	166,133	41,499	2,387,546
<b>Expenditures:</b>					
Instruction:					
Regular programs:					
Elementary school	487,585	22,899		22,182	532,666
Middle school	130,029	5,826		5,748	141,603
High school	300,520	35,063		11,350	346,933
Special programs:					
Programs for special educ.			112,926	4,201	117,127
Educ. deprived (Title I)	172,289			6,862	179,151
Total instruction	1,090,423	63,788	112,926	50,343	1,317,480
Support services:					
Pupils:					
Guidance	8,621			382	9,003
Special education			18,028		18,028
Instruction:					
Improvement of instruction	5,000				5,000
Educational media	1,540				1,540
General administration:					
Board of Education	17,658				17,658
Executive administration	89,074			3,781	92,855
School administration:					
Office of principal	65,144			2,752	67,896
Other	72				72
Business:					
Fiscal services	72,936			1,870	74,806
Operations and maintenance	176,015	81,750		3,533	261,298
Pupil transportation	98,274	22,801		13	121,088
Total support services	534,334	104,551	18,028	12,331	669,244

(continued)

ROSHOLT SCHOOL DISTRICT NO. 54-4

STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDING JUNE 30, 2015 (continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Debt service:					
REED loan #1 principal		6,667			6,667
REED loan #2 principal		30,000			30,000
2011 Limited tax GO Certificates:		130,000			130,000
Interest and fees		17,247			17,247
Capital leases principal		19,122			19,122
Capital lease interest		3,652			3,652
Total debt service	0	206,688	0	0	206,688
Cocurricular activities:					
Male activities	46,950			818	47,768
Female activities	30,719			474	31,193
Combined activities	46,742			644	47,386
Total cocurricular services	124,411	0	0	1,936	126,347
Capital outlay:					
Total expenditures	1,749,168	730,135	130,954	64,610	2,674,867
Excess of revenues over (under) expenditures					
	(1,670)	(297,719)	35,179	(23,111)	(287,321)
Other financing sources (uses):					
REED loan #3 proceeds		300,000			300,000
Digitizer lease proceeds		46,302			46,302
Net change in fund balance	(1,670)	48,583	35,179	(23,111)	58,981
Fund balance:					
July 1, 2014	1,045,829	692,484	337,704	53,831	2,129,848
Correct prior year accts receivable	16,376				16,376
July 1, 2014, adjusted	1,062,205	692,484	337,704	53,831	2,146,224
June 30, 2015	1,060,535	741,067	372,883	30,720	2,205,205

Reconciliation of the above statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities.

Net change in fund balances - total governmental funds (above) 58,981

Capital outlays are reported in governmental funds as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. Therefore:

Add the cost of: Computer equipment - high school 8,420  
 Honeywell building improvements 300,386  
 Digitizers 46,302  
 Subtract: Depreciation taken on all capital assets (160,543)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Therefore:

Subtract prior year delinquent taxes (9,815)  
 Add current year delinquent taxes 13,444

Revenues and reductions of expenses related to pensions do not provide current financial resources and, therefore, are not reported in the funds 82,157

Current debt principal reduction (increase) is not reported in the government-wide statement of activities:  
 Therefore:

Add current year principal payments on:  
 2003 Rural Electric Economic Development loan 6,667  
 2008 Rural Electric Economic Development loan 30,000  
 2011 Limited Tax GO Certificates 130,000  
 2012 Capital lease for 2 copiers 4,825  
 2014 Digitizer lease 14,297  
 Subtract current year loan proceeds:  
 2014 Rural Electric Economic Development loan proceeds (300,000)  
 2014 Digitizer lease proceeds (46,302)

Change in net position on government-wide statement of activities 178,819

See accompanying notes.

ROSHOLT SCHOOL DISTRICT NO. 54-4

STATEMENT OF NET POSITION - ENTERPRISE FUNDS  
AS OF JUNE 30, 2015

	Food Service Fund	Day Care Fund	Total Enterprise Funds
	-----	-----	-----
<b>ASSETS</b>			
Current assets:			
Cash	0	7,500	7,500
Accounts receivable	517		517
Inventory - supplies	108		108
Inventory - purchased goods	1,007		1,007
Inventory - commodities (donated)	2,046		2,046
Capital assets:			
Equipment	42,773		42,773
Accumulated depreciation	(37,606)		(37,606)
Other assets:			
Net pension assets	17,506		17,506
	-----	-----	-----
Total assets	26,351	7,500	33,851
	=====	=====	=====
<b>DEFERRED OUTFLOW OF RESORCES</b>			
Pension related deferred outflows	15,592		15,592
	-----	-----	-----
Total deferred outflow of resources	15,592	0	15,592
	=====	=====	=====
<b>LIABILITIES</b>			
Contracts payable	53		53
Payroll deductions payable	7		7
Due to general fund	3,656		3,656
Revenue received in advance	4,235		4,235
	-----	-----	-----
Total liabilities	7,951	0	7,951
	=====	=====	=====
<b>DEFERRED INFLOW OF RESOURCES:</b>			
Pension related deferred inflows	20,275		20,275
	-----	-----	-----
Total deferred inflow of resources	20,275	0	20,275
	=====	=====	=====
<b>NET POSITION</b>			
Net invested in capital assets	5,167		5,167
SDRS pension purposes	12,823		12,823
Unrestricted	(4,273)	7,500	3,227
	-----	-----	-----
Total net position	13,717	7,500	21,217
	=====	=====	=====

See accompanying notes.

ROSHOLT SCHOOL DISTRICT NO. 54-4

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION - ENTERPRISE FUNDS  
FOR THE YEAR ENDING JUNE 30, 2015

Operating revenue:			
Sales to pupils	68,686		68,686
Sales to adults	7,752		7,752
Other sales	7,912	2,150	10,062
	-----	-----	-----
Total operating revenue	84,350	2,150	86,500
	-----	-----	-----
Operating expense:			
Salaries	40,407	2,030	42,437
Employee benefits	23,916	277	24,193
Purchased services	346		346
Supplies	3,339	16	3,355
Cost of sales:			
Purchased food	84,676		84,676
Donated food (commodities)	11,050		11,050
Depreciation	1,143		1,143
	-----	-----	-----
Total operating expenses	164,877	2,323	167,200
	-----	-----	-----
Operating income (loss)	(80,527)	(173)	(80,700)
Nonoperating revenue (expense):			
Pension related	3,423		3,423
State source:			
Cash reimbursement	769		769
Federal source:			
Cash reimbursement	50,425		50,425
Donated food	10,536		10,536
	-----	-----	-----
Total nonoperating revenue (expense)	65,153	0	65,153
	-----	-----	-----
Change in net position	(15,374)	(173)	(15,547)
Net position, July 1, 2014	19,691	7,673	27,364
Restatement for pension accounting:			
Pension net assets at 6-30-2014	6,851		6,851
Deferred outflow of resources related to contributions made during FY14	2,549		2,549
	-----	-----	-----
Net position, July 1, 2014, adjusted	29,091	7,673	36,764
	-----	-----	-----
Net position, June 30, 2015	13,717	7,500	21,217
	=====	=====	=====

See accompanying notes.

ROSHOLT SCHOOL DISTRICT NO. 54-4

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS  
FOR THE YEAR ENDING JUNE 30, 2015

	Food Service Fund	Day Care Fund	Total Enterprise Funds
	-----	-----	-----
Cash flows from:			
Operating activities:			
Receipts from customers	87,363	2,150	89,513
Cash paid for employees	(64,263)	(2,307)	(66,570)
Payments to suppliers	(86,170)	(16)	(86,186)
Net cash provided (used) by operating activities	----- (63,070)	----- (173)	----- (63,243)
Noncapital financing activities:			
Due to general fund	3,656		3,656
Grant cash reimbursements, state	769		769
Grant cash reimbursements, federal	50,425		50,425
Capital financing activities:			
None			0
Investing activities:			
None			0
Net increase (decrease) in cash and cash equivalents	----- (8,220)	----- (173)	----- (8,393)
Cash and cash equivalents:			
July 1, 2014	8,220	7,673	15,893
June 30, 2015	----- 0	----- 7,500	----- 7,500
	=====	=====	=====
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	(80,527)	(173)	(80,700)
Value of donated commodities used	11,050		11,050
Depreciation	1,143		1,143
Change in operating accounts:			
Accounts receivable	(517)		(517)
Inventory - supplies	748		748
Inventory - purchased	1,891		1,891
Accounts payable	(448)		(448)
Contracts payable	60		60
Revenue received in advance	3,530		3,530
Net cash provided (used) by operating activities	----- (63,070)	----- (173)	----- (63,243)
	=====	=====	=====
Noncash investing, capital and financing activities:			
Value of donated commodities	10,536		10,536
Pension related	3,423		3,423

See accompanying notes.

ROSHOLT SCHOOL DISTRICT NO. 54-4

STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS  
AS OF JUNE 30, 2015

Assets:	
Cash	39,950
Due from others	0
	-----
Total assets	39,950
	=====
Liabilities:	
Amounts held for:	
Others	35,950
General fund	4,000
	-----
Total liabilities	39,950
	=====
Net position	-----
	NA
	=====

See accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Rosholt School District conform to generally accepted accounting principles applicable to government entities in the United States of America.

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the Rosholt School District's (School District) Board of Education.

The School District's officials at June 30, 2015 are:

Board Members:

Brad Tangen, Chairperson  
Annette Hahn, Vice Chairperson  
Sue Braun  
Dave Krueger  
Hailey Peterson

Superintendent:

Teresa Appel

Business Manager:

Vicky Boom

Attorney:

Churchill, Manolis, Freeman, Kludt,  
Shelton & Burns, LLP

The reporting entity of the School District consists of (1) 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; (2) those organizations for which the primary government is financially accountable; and (3) 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 organization's 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 (the primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District unless that organization can, without the approval of the School District: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the Rosholt School District does not have any component units.

The School District does participate with other school districts in cooperative service units. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship to the School District.

b. Basis of Presentation:

*Government-wide Financial Statements:*

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods 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 invested in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities and for each segment of School District's business-type activities. Direct expenses are associated with a specific program or function and are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the program 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 and interest, are presented as general revenues.

*Fund Financial Statements:*

The fund financial statements include specific information about individual funds used by the reporting entity. Each fund is considered a separate accounting entity with a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, enterprise, and fiduciary. An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the School District or if it meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, revenues, or expenditures/expenses) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.
- c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's official believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The School District has elected to classify all of its funds as major funds. School District funds are described below within their respective fund type:

Governmental Funds

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

*Special Revenue Fund Type - special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes. The School District has the following special revenue funds:*

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 and is a major fund.

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

Pension fund - A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of a school district, which have established such systems, and paying the School District's share of SDRS pension plan contributions. This fund is financed by property taxes and is a major fund.

#### Enterprise Funds

*Enterprise Fund Types - enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The School District has the following enterprise fund:*

Food service fund - a fund used to record financial transactions related to the School District's food service operations. This fund is financed by user charges and grants and is a major fund.

Day care fund (MASH) - a fund used to record financial transactions related to the School's day care (which ended in FY14) and driver's education activities. This fund is financed by user charges and fund raising activities. This fund is a major fund.

#### Fiduciary Funds

Fiduciary are never considered to be major funds.

Agency fund type - 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 in a trustee capacity for various classes, clubs, etc.

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

Measurement focus is a term used to describe "what" 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.

The "economic resources" measurement focus includes all assets and liabilities (whether current or noncurrent, financial, or nonfinancial) on the balance sheet. Operating statements use the flow of all economic

resources to present operating income, changes in net position, and cash flows during the accounting period. This measurement focus uses the term "net position" to describe its equity at the end of the accounting period.

*Fund Financial Statements:*

All governmental funds are presented using the "current financial resources" measurement focus and the modified accrual basis of accounting.

The "current financial resources" measurement focus includes only current financial assets and liabilities on the balance sheet. Operating statements present sources and uses of available spendable financial resources during the accounting period. This measurement focus uses the term "fund balance" to describe its equity at the end of the accounting period. It is a measure of available spendable financial resources.

Enterprise and fiduciary funds are presented using the "economic resources" measurement focus (described above) and the accrual basis of accounting.

Basis of Accounting

*Government-wide Financial Statements:*

In the government-wide financial statements, the accrual basis of accounting is used for both governmental and business-type activities in the Statement of Net Position and Statement of Activities. 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:*

In the 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, which for the School District is 60 days. The revenues which are accrued at June 30, 2015 are grants and other accounts receivable.

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

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. However, the School District budgets for, and makes payment of, debt obligations (if any) due on July 1st as of June 30th, the end of the School District's fiscal year.

All enterprise funds and fiduciary funds are accounted for using the accrual basis of accounting, the same as in the government-wide financial statements. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

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:

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" (if any).

*Fund Financial Statements:*

In the fund financial statements, noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by "nonspendable fund balance" which indicates that they do not constitute "available spendable resources" since they are not a component of unassigned fund balance. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources."

e. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other interfund transactions are reported as transfers.

f. Cash and Cash Equivalents:

The School District pools its cash resources for depositing and investing purposes. Accordingly, the food service enterprise fund has access to its cash resources on demand. The day care enterprise fund maintains all of its cash in its own separate checking account. Accordingly, all enterprise fund deposits and investment balances are considered to be cash equivalents for the purposes of the statement of cash flows.

g. Capital Assets and Infrastructure assets:

Capital assets include land, buildings, improvements, and equipment, and all other tangible or intangible assets that are used in operations, which have initial useful lives extending beyond a single reporting period. *Infrastructure* assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets. Infrastructure assets, if any, are classified as "Improvements Other than Buildings."

*Government-wide Financial Statements:*

In the government-wide financial statements, capital assets are accounted for on the accrual basis of accounting. Capital asset purchases are capitalized and not expensed. Instead, capital purchases are expensed over the life of the asset as depreciation or amortization.

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

The total June 30, 2015 balance of capital assets for governmental activities include approximately 10% for which the costs were determined by estimates of the original costs. The total June 30, 2015 balance of capital assets for business-type activities includes approximately 0% for which the costs were determined by estimates of the original costs. The estimated original costs were established by appraisals or deflated current replacement cost.

Interest cost incurred during construction of general capital assets are not capitalized with other capital asset cost. Interest cost incurred during construction of enterprise capital assets are capitalized with other capital asset cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide statement of activities and the enterprise fund statement of revenue, expenses and changes in fund net position. Accumulated depreciation is reported on the government-wide statement of net position and on the enterprise fund's statement of net position. See also page 35.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation method, and estimated useful lives of capital assets reported in the government-wide statements and enterprise funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Life in Years
	-----	-----	-----
Land	All	N/A	N/A
Buildings/structures	5,000	Straight-line	10-50
Improvements	5,000	Straight-line	10-20
Equipment	5,000	Straight-line	5-20
Equipment - food service	1,000	Straight-line	10-20

Land is an inexhaustible capital asset and is not depreciated.

*Fund Financial Statements:*

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

h. Long-term Liabilities:

*Government-wide Financial Statements:*

In the government-wide financial statement, all long-term liabilities to be repaid from governmental or business-type resources are reported as liabilities. Long-term liabilities consist of three Rural Electric Economic Development loans, one limited tax GO certificate issues, and a capital lease.

*Fund Financial Statements:*

In the fund financial statements, governmental debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. Enterprise fund long-term debt (if any) is reported as a liability, the same as in the government-wide statements.

i. Accumulated Unpaid Vacation and Sick Leave:

Vacation leave is non-accumulative. Vacation leave is earned by full-time non-certified employees at the rate of 2 to 3 weeks per year. Upon termination employees are not entitled to receive compensation for their accrued annual leave balance. At June 30, 2015 unused vacation leave was \$11,267.

Sick and personal leave is earned by full-time employees at the rate of 10 days per year, accumulated to 80 days. Upon termination, employees are not entitled to receive compensation for their accrued sick leave balance. At June 30, 2015 there was 1,320.18 days of unused sick days, which if taken at an average teacher's daily pay of \$185 would equal \$244,233.

The financial statements do not give effect to these liabilities.

j. Program Revenues and General Revenues:

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

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

General revenues include all revenues not specifically earmarked for a specific program. General revenues include all taxes, investment earnings, unrestricted receipts from the county, state, or federal governments, and miscellaneous revenues not related to a program. These revenues are not restricted and can be used for the regular operation of the School District.

k. Deferred Inflows and Deferred Outflows of Resources

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

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

l. Enterprise Fund Revenue and Expense Classifications:

In the government-wide and fund financial statements, enterprise 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.

m. Equity Classifications:

*Government-wide Statements:*

Equity is classified as net position and is displayed in three components:

1. Net invested 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 capital outlay certificate payable, capitalized leases payable, 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 creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - Other net position that does not meet the criteria of 1 or 2 above.

*Fund Financial Statements:*

Governmental fund equity is classified as "Fund Balance", and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity is classified as "Net Position", 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 a purpose.

n. 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 (or modified or rescinded) by the government through formal action at 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 School Board, Superintendent, or Business Manager.
- \* Unassigned - includes positive fund balance within the general fund which has not been classified within the above categories and negative fund balances in other governmental funds.

Rosholt School District fund balance classifications are made up of:

<u>Fund Balance</u>	<u>Account</u>	<u>Authority</u>	
<u>Classifications</u>	<u>or Fund</u>	<u>or Action</u>	<u>Amount</u>
Nonspendable	Inventory		34,815
Restricted	Capital Outlay	Statute	741,067
	Special Education	Statute	372,883
	Pension	Statute	30,720
Committed			0
Assigned	Next year's budget	Business Mgr.	54,897
Unassigned	General		970,823
			-----
			2,205,205

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

The School District does not have a formal minimum fund balance policy.

The purpose of each special revenue fund and revenue source is:

Special Revenue Fund:	Revenue Source: (see page 12)
* Capital Outlay	Property taxes
* Special Education	Property taxes and Medicaid services reimbursements
* Pension	Property taxes

o. Application of Net Position:

It is the School's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred which can be charged to either restricted or unrestricted net position.

p. Allowance for Doubtful Accounts:

Because write-off of uncollected taxes and/or student meals is minimal, is it not considered necessary to establish an estimated allowance for doubtful accounts.

q. Accounting Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual amounts could differ from these estimates. Following are the estimates made by management during the year:

- \* Allowance for doubtful accounts - estimated uncollectables
- \* Inventory - estimated fair market value
- \* Depreciation - estimated service lives
- \* Pension - actuarial assumptions

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

*Budget Overdraft:*

The School District is prohibited by statute from spending in excess of total appropriated amounts within a fund. The Capital Outlay fund spent \$34,950 more than its budget. This was due to the lease purchase of computer equipment. The Pension fund spent \$64,610 but had no budget. In the future, the School District expects to have a supplemental budget to cover equipment lease/purchases and to adopt a budget for the Pension fund.

3. DEPOSITS, INVESTMENTS AND 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 deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15 and 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 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 better, 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 the add-on type.

Actual bank balances at June 30, 2015 were as follows: Insured \$500,000, Collateralized \*\* \$1,872,565., for a total of \$2,372,565.

\*\* Uninsured, collateral jointly held by state's/school's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits at June 30, 2015 was \$2,338,592, which equals \$2,298,842 on the government-wide statement of net position plus \$39,950 on the fiduciary funds statement less \$200 of petty cash.

Investments - In general, SDCL 4-5-6 permits school district 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 (c) in shares of an open-end, no-load mutual 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 safe-keeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

During the year ending June 30, 2015 the School District had no investments.

Cash Equivalents - Certificates of deposit, with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

Investment Risk - State law limits eligible investments for schools as discussed above. The School District has no investment policy that would further limit its investment choices.

Custodial Credit Risk (Deposits) - The risk that, in the event of a depository failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2015, the School District's deposits in financial institutions were not exposed to custodial credit risk.

Concentration of Credit Risk - the School District places no limit on the amount that may be deposited/invested in any one institution. All School District deposits are in Great Western Bank.

Interest Rate Risk - The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the general fund or the fund making the investment. The School District's policy is to credit all income from deposits and investments to the fund making the deposit or investment.

#### 4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Allowances for estimated uncollectible accounts are not material to these financial statements.

5. DUE FROM OTHER GOVERNMENTS

At June 30, 2015 amounts due from other governments was for the following:

Medicaid	\$	470
June property taxes received in July		5,763
Telephone gross receipts		65,212
		-----
	\$	71,445

6. INVENTORY

*Government-wide Statements: (consumption method)*

In the government-wide financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are used. Inventory of supplies and small tools is recorded at cost.

Donated items are valued at estimated market value at the date of receipt. The cost valuation method is first-in first-out. Inventory at June 30, 2015 is estimated to be \$34,815 primarily for fuel oil and maintenance supplies in the general fund and \$3,161 primarily for food in the food service fund.

*Fund Financial Statements: (consumption method)*

In the fund financial statements inventory of supplies and small tools are recorded as assets when purchased and charged to expenditure/expense when they are consumed. Reported governmental 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.

Inventory of supplies and small tools are recorded at cost. The cost valuation method is first-in first-out. Donated commodities in the food service fund are valued at estimated market value based on the USDA price list at date of receipt.

7. CHANGES IN CAPITAL ASSETS (see schedule one)

A summary of changes in capital assets for the fiscal year ending June 30, 2015 is found on schedule one at the end of these footnotes. There was no construction-in-progress at June 30, 2015.

8. CHANGES IN LONG-DEBT (see schedule two)

A summary of changes in long-term debt for the fiscal year ending June 30, 2015 is found on schedule two at the end of these footnotes. The School District has no short-term or conduit debt.

9. REFUNDING OF THE 2008 LIMITED TAX GENERAL OBLIGATION CERTIFICATES AND ESCROW DEPOSIT

On September 29, 2011 the School District issued \$1,060,000 of Limited Tax General Obligation Refunding Certificates, series 2011, with an average coupon yield of 1.983510% to refund \$1,000,000 of Limited Tax General Obligation Certificates, series 2008 on May 1, 2013. The School District refunded the 2008 certificates to reduce total debt service over 10 years by \$41,431 and to obtain an economic gain of \$38,410.

10. RESTRICTED NET POSITION

The following table shows the net position restricted for specific purposes as shown on the statement of net position:

Fund	Restricted by	Governmental Activities Amount	Business-type Activities Amount
Capital outlay	Statute	\$ 744,284	
Special education	Statute	373,915	
Pension	Statute	30,848	
SDRS pension purposes	Statute	307,760	
		-----	-----
Total restricted net position		\$ 1,456,807	\$ 0

11. INTERFUND BALANCES AND TRANSFERS

During the year ending June 30, 2015 the trust and agency imprest fund held \$4,000 of general fund money to cover School District cost paid from the imprest fund. During the year ending June 30, 2015 there were no interfund transfers.

12. ADOPTION OF NEW ACCOUNTING STANDARD - PRIOR PERIOD ADJUSTMENTS

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

	Governmental	Business-Type
July 1, 2014 Net Position, as previously reported	\$ 3,941,107	\$ 27,364
Restatement for pension accounting:		
Net pension assets	164,417	6,851
Deferred outflow of resources related to contribu-		
tions made during the year ended June 30, 2014	61,187	2,549
Correct prior year accounts receivable	16,376	
	-----	-----
July 1, 2014 Net Position, as restated	\$ 4,183,087	\$ 36,764

13. PENSION PLAN

Summary of Significant Accounting Policies:

For purpose of measuring the net pension liability (assets), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description:

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. 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 SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

Benefits Provided:

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

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

- If the SDRS market value funded ratio is 100% or more - 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI  
> 90.0% to 99.9% funded - 2.1% minimum and 2.8% maximum COLA  
> 80.0% to 89.9% funded - 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% - 2.1% COLA

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

Contributions:

Per SDRS 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by 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 ending June 30, 2015, 2014, and 2013 were \$67,094, \$63,736, and \$60,740 (employer's share) respectively, equal to the required contribution each year.

Pension Assets, Pension Revenue, Deferred Outflow of Pension Resources, and Deferred Inflow of Pension Resources:

At June 30, 2014, SDRS is 107.3% funded and accordingly has net pension asset. For the School District, its proportionate share of the components of the SDRS's net pension asset as of June 30, 2015 are as follows:

Net position restricted for pension benefits	\$ 6,443,570
Less: total pension liability	(6,005,926)
	-----
Proportionate share of net pension assets	\$ (437,644)

The net pension asset was measured as of June 30, 2014 and the total pension liability used to calculate the net pension asset was determined by actuarial valuation as of that date. At June 30, 2015 the Commission reported an asset of \$437,644 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015 and the total pension asset used to calculate the net pension asset was based on a projection of the School District's share of contribution to the pension plan relative to the contributions of all participating entities. At June 30, 2014 the School District's proportion was .000607451.

For the year ended June 30, 2015 the School District recognized pension revenue of \$18,486.

At June 30, 2015 the School District reported deferred outflow of resources and deferred inflow of resources related to the pension from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 37,031	
Change in assumptions	285,681	
Net difference between projected and actual earnings on pension plan investments	0	\$ 506,865
School District contributions subsequent to the measurement date	67,094	
	-----	-----
	\$ 389,806	\$ 506,865
	(506,865)	
	-----	
Net	\$ (117,059)	
	=====	

There is \$67,094 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized in pension revenue as follows:

Year Ending June 30, 2016	\$ (22,106)
June 30, 2017	(22,105)
June 30, 2018	(22,106)
June 30, 2019	(50,742)
	-----
	\$ (117,059)
	=====

Actuarial Assumptions:

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

Inflation	3.25%
Salary increases	5.83% at entry to 3.87% after 30 years of service
Discount rate	7.25% through 2016 and 7.50% 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 of July 1, 2005 to June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

Discount Rate:

The discount rate used to measure the total pension liability was 7.25% through 2016 and 7.50% thereafter. The projection of cash flow used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments to 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 asset.

Sensitivity of Asset to Changes in the Discount Rate:

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

	1% Decrease	Current Discount Rate	1% Increase
School District's share of SDRS net pension asset (liability)	\$ (432,474) liability	\$ 437,644 asset	\$ 1,147,315 asset

Investments:

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 Standard (ie: the Council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	61.0%	4.5%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.2%
Cash	2.0%	0.0%
	-----	
	100.0%	

Pension Plan Fiduciary Net Position:

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

14. EMPLOYEE BENEFIT PLAN

The School District offers eligible employees a "Flexible Benefits Plan" (also known as "Flex One" plan) under IRC Sec.125. The Plan allows eligible employees to use money provided by the School District through employee salary redirection, to choose (and pay for) one or more benefits offered through the Plan. All salary redirections are sent to AFLAC which administers the Plan.

15. PROPERTY TAXES

Property taxes are levied on or before 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 revenue are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable, which is not intended to be used to finance the current year's appropriations, and therefore not susceptible to accrual, has been reported as deferred revenue in both the government-wide financial statements and the fund financial statements.

Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period". However, because property taxes are payable on April 30 and October 31 each year, about 1/2 of the property tax levy is collected by June 30, to finance the current year's appropriations, and 1/2 is collected after June 30, to finance the next year's appropriations.

Consequently, the School District considers all unpaid property tax levies at June 30 to be for the next year's appropriation. This entire amount is deferred in both the government-wide financial statements and the fund financial statements. Any delinquent property taxes received after June 30, but within the School District's "availability period", are considered immaterial to these financial statements and are deferred along with the second 1/2 of the current year's tax levy.

Delinquent property taxes, from prior year tax levies, are included in "net position" in the government-wide statement of activities but are deferred in the fund financial statements. See reconciliations on page 11 and 13.

#### 16. JOINT VENTURE

Northeast Educational Services Cooperative No. 28-201  
P.O. Box 327, Hayti, South Dakota 57241, 605.783.3607

The School participates in Northeast Educational Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education and other services to member school districts. At June 30, 2015, the School's percentage of participation in the co-op, based on pupil counts, is 2.93%.

The co-op's governing board has two representatives from the school board of each member school. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget. The School retains no equity in the net position of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above.

Separate financial statements of the co-op are available at its business office in Hayti, South Dakota. At June 30, 2015 this joint venture had total UNAUDITED fund equity of \$913,929 and no long-term debt.

#### 17. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ending June 30, 2015 the School managed its risks as follows:

##### Health:

The School purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

##### Liability:

The School purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Workmen's Compensation:

The School purchases liability insurance for workmen's compensation from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits:

The School has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. Any claims would be paid by the general fund. During the year ending June 30, 2015, there were no claims for unemployment benefits and none are expected to be paid in FY16.

18. OTHER DISCLOSURES

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

In FY16 the School District:

- \* Purchased a 2016 Blue Bird 59 passenger bus utilizing a 4 year financing option for \$80,717.
- \* Purchased a new freezer for the kitchen for \$12,760.
- \* Will be building a new bus barn for approximately \$150,000 from local funds.

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE  
 CHANGES IN CAPITAL ASSETS  
 FOR THE YEAR ENDING JUNE 30, 2015

	Beginning 6-30-14	Adjustments	Additions	(Deletions)	Ending 6-30-15	Accumulated Depreciation 6-30-14	Adjustments	(Additions)	Deletions	Accumulated Depreciation 6-30-15	Remaining Cost 6-30-15
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
General capital assets:											
Land	42,234				42,234						42,234
Buildings	3,787,907		300,385	(161,824)	3,926,468	(1,252,252)		(80,703)	161,824	(1,171,131)	2,755,337
Improvements	108,265				108,265	(30,372)		(8,750)		(39,122)	69,143
Equipment	442,456		54,722	(24,859)	472,319	(363,552)		(49,287)	24,859	(387,980)	84,339
Equipment - vehicles	406,401			(52,056)	354,345	(230,570)		(21,803)	52,056	(200,317)	154,028
Construction-in-progress	0					0				0	0
Totals	4,787,263	0	355,107	(238,739)	4,903,631	(1,876,746)	0	(160,543)	238,739	(1,798,550)	3,105,081
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

Governmental depreciation  
 is allocated as follows:

Instruction	70,603
Support	51,069
Co-curricular	38,871
	-----
	160,543
	=====

Enterprise fund:  
 Food service fund:

Equipment	42,773				42,773	(36,464)	1	(1,143)		(37,606)	5,167
Totals	42,773	0	0	0	42,773	(36,464)	1	(1,143)	0	(37,606)	5,167
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO  
 CHANGES IN LONG-TERM DEBT  
 FOR THE ONE YEAR ENDING JUNE 30, 2015

	Beginning 6-30-14	Additions	(Deletions)	Governmental Ending 6-30-15	Principal Due in FY16
	-----	-----	-----	-----	-----
<b>GOVERNMENTAL</b>					
2003 Rural Electric Economic Development Loan:					
Total amount of \$200,000					
Maturing 10-20-2014					
Interest at 0% (Zero)					
Unsecured. Must be renewed every 2 years					
First monthly payment: 11-20-2004					
Thereafter monthly payments of \$1,666.66					
Purpose - new school building financing					
Paid by the capital outlay fund	6,667		(6,667)	0	0
2008 Rural Electric Economic Development Loan:					
Total amount of \$300,000					
Maturing 7-25-2019					
Interest at 0% (Zero)					
Monthly payments of \$2,500 for 10 years					
Purpose - new school building financing					
Paid by the capital outlay fund	152,500		(30,000)	122,500	30,000
2011 Limited Tax GO Refunding Certificates:					
Total amount of \$1,060,000					
Maturing 1-15-2021					
Interest from 0.80% to 2.65%					
First interest payment: 1-15-2012					
Purpose - Refund 2008 Limited Tax GO Cetificates					
Callable on September 29, 2016					
Paid by the capital outlay fund	935,000		(130,000)	805,000	130,000
2012 Capital Lease of 2 copiers:					
Original amount: \$22,483					
Maturing June 2017					
Imputed interest at 8.0%					
Monthly payments of \$455.87					
Paid from capital outlay fund	14,905		(4,825)	10,080	4,839
2014 Rural Electric Economic Development Loan:					
Total amount of \$300,000					
Maturing 2024					
Interest at 0% (Zero)					
Monthly payments of \$2,500 for 10 years					
Purpose - school building improvements					
Paid by the capital outlay fund	0	300,000		300,000	30,000
2014 Capital Lease of 39 digitizers:					
Original amount: \$46,302					
Maturing February 2017					
Imputed interest at 6.7709%					
Semi-annual payments of \$8,506.09					
Paid from capital outlay fund	0	46,302	(14,297)	32,005	15,463
	-----	-----	-----	-----	-----
	1,109,072	346,302	(185,789)	1,269,585	210,302
	=====	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO (continud)  
 CHANGES IN LONG-TERM DEBT  
 FOR THE ONE YEAR ENDING JUNE 30, 2015

Remaining Payment Schedule as of June 30, 2015	Total Payment	Principal	Interest	Remaining Balance
	-----	-----	-----	-----
2008 Rural Electric Economic Development Loan:				
6-30-16	30,000	30,000	0	92,500
6-30-17	30,000	30,000	0	62,500
6-30-18	30,000	30,000	0	32,500
6-30-19	30,000	30,000	0	2,500
7-25-19	2,500	2,500	0	0
	-----	-----	-----	
	122,500	122,500	0	
	=====	=====	=====	
2011 Limited Tax GO Refunding Certificates:				
6-30-16	145,285	130,000	15,285	675,000
6-30-17	143,465	130,000	13,465	545,000
6-30-18	141,255	130,000	11,255	415,000
6-30-19	143,567	135,000	8,567	280,000
6-30-20	140,463	135,000	5,463	145,000
6-30-21	146,921	145,000	1,921	0
	-----	-----	-----	
	860,956	805,000	55,956	
	=====	=====	=====	
2013 Capital Lease of 2 copiers:				
6-30-16	5,471	4,839	632	5,241
6-30-17	5,470	5,241	229	0
	-----	-----	-----	
	10,941	10,080	861	
	=====	=====	=====	
2014 Rural Electric Economic Development Loan:				
6-30-16	30,000	30,000	0	270,000
6-30-17	30,000	30,000	0	240,000
6-30-18	30,000	30,000	0	210,000
6-30-19	30,000	30,000	0	180,000
6-30-20	30,000	30,000	0	150,000
6-30-21 to 6-30-25	150,000	150,000	0	0
	-----	-----	-----	
	300,000	300,000	0	
	=====	=====	=====	
2014 Capital Lease of 39 digitizers:				
6-30-16	17,792	15,463	2,329	16,542
6-30-17	17,792	16,542	1,250	0
	-----	-----	-----	
	35,584	32,005	3,579	
	=====	=====	=====	

ROSHOLT SCHOOL DISTRICT NO. 54-4  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING JUNE 30, 2015

GENERAL FUND	Budgeted Amounts				Variance Positive (Negative)
	Original	Contingency Transfers	Supplementals	Final	
Revenues:				Actual	
Local Sources:					
Taxes:					
Ad valorem taxes	532,085			532,811	726
Prior year ad valorem tax:	6,000			8,333	2,333
Penalties and interest	3,000			1,370	(1,630)
Gross receipts	45,000			116,334	71,334
Interest earned	6,500			2,415	(4,085)
Cocurricular activities:					
Admissions	15,000			19,214	4,214
Student activities	6,500			16,320	9,820
Other revenue from local sources:					
Rentals				0	0
Donations				639	639
Medicaid administration	14,000			2,194	(11,806)
Other	20,000			9,104	(10,896)
Intermediate sources:					
County apportionment	27,000			30,609	3,609
State sources:					
State aid, unrestricted	870,417			841,304	(29,113)
State apportionment	11,000			12,523	1,523
Bank franchise	17,000			21,002	4,002
Other				5,000	5,000
Federal sources:					
Restricted grants-in-aid	123,841			128,326	4,485
<b>Total revenues</b>	<b>1,697,343</b>	<b>0</b>	<b>0</b>	<b>1,747,498</b>	<b>50,155</b>
Expenditures:					
Instruction:					
Regular programs:					
Elementary school	492,044			487,585	4,459
Middle school	125,000			130,029	(5,029)
High school	290,986			300,520	(9,534)
Special programs:					
Educ. deprived (Title I)	165,180			172,289	(7,109)
Support services:					
Pupils:					
Guidance	8,950			8,621	329
Instruction:					
Improvement of instruction				5,000	(5,000)
Educational media	400			1,540	(1,140)
General administration:					
Board of Education	11,220			17,658	(6,438)
Executive administration	82,030			89,074	(7,044)
School administration:					
Office of principal	68,150			65,144	3,006
Other	300			72	228
Business:					
Fiscal services	58,610			72,936	(14,326)
Operations and maintenance	206,920			176,015	30,905
Pupil transportation	103,350			98,274	5,076
Cocurricular activities:					
Male activities	46,800			46,950	(150)
Female activities	31,300			30,719	581
Combined activities	41,000			46,742	(5,742)
Contingencies	20,000				20,000
Amount transferred				0	0
<b>Total expenditures</b>	<b>1,752,240</b>	<b>0</b>	<b>0</b>	<b>1,749,168</b>	<b>3,072</b>
Other sources and (uses):					
None				0	0
<b>Net change in fund balance</b>	<b>(54,897)</b>	<b>0</b>	<b>0</b>	<b>(54,897)</b>	<b>53,227</b>
Fund balance:					
July 1, 2014, adjusted	1,062,205			1,062,205	0
June 30, 2015	1,007,308	0	0	1,060,535	53,227

ROSHOLT SCHOOL DISTRICT NO. 54-4

REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING JUNE 30, 2015

CAPITAL OUTLAY FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenues:					
Local Sources:					
Taxes:					
Ad valorem taxes	415,734		415,734	426,104	10,370
Prior year ad valorem taxes:	2,000		2,000	4,217	2,217
Penalties and interest	1,000		1,000	1,029	29
Interest earned	1,200		1,200	1,066	(134)
Total revenues	419,934	0	419,934	432,416	12,482
Expenditures:					
Instruction:					
Regular programs:					
Elementary school	19,000		19,000	34,474	(15,474)
Middle school	6,000		6,000	5,826	174
High school	50,000		50,000	78,210	(28,210)
Support services:					
Business:					
Operations and maintenance	90,000	300,000	390,000	382,136	7,864
Pupil transportation	23,085		23,085	22,801	284
Food services	3,600		3,600		3,600
Debt service:	203,500		203,500	206,688	(3,188)
Total expenditures	395,185	300,000	695,185	730,135	(34,950)
Other financial sources (uses):					
REED loan #3 proceeds			0	300,000	300,000
Digitizer lease proceeds			0	46,302	46,302
Net change in fund balance	24,749	(300,000)	(275,251)	48,583	323,834
Fund balance:					
July 1, 2014	692,484		692,484	692,484	0
June 30, 2015	717,233	(300,000)	417,233	741,067	323,834

ROSHOLT SCHOOL DISTRICT No. 54-4

REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING JUNE 30, 2015

SPECIAL EDUCATION FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenues:					
Local Sources:					
Taxes:					
Ad valorem taxes	150,585		150,585	160,776	10,191
Prior year ad valorem taxes:	900		900	1,545	645
Penalties and interest	400		400	379	(21)
Medical administration	5,000		5,000	3,327	(1,673)
Interest earned			0	106	106
State sources:					
Restricted grants-in-aid			0		0
Federal sources:					
Restricted grants-in-aid			0		0
Total revenues	156,885	0	156,885	166,133	9,248
Expenditures:					
Instruction:					
Special programs:					
Special education	126,472	16,997	143,469	112,926	30,543
Support services:					
Pupils:					
Special education	25,413		25,413	18,028	7,385
Total expenditures	151,885	16,997	168,882	130,954	37,928
Other sources and (uses):					
None	0		0		0
Change in fund balance	5,000	(16,997)	(11,997)	35,179	47,176
Fund balance:					
July 1, 2014	337,704		337,704	337,704	0
June 30, 2015	342,704	(16,997)	325,707	372,883	47,176

NOTES TO BUDGETARY COMPARISON SCHEDULES  
JUNE 30, 2015

1. Budgets and Budgetary Accounting:

The School District follows 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 May of each year.
- c. The proposed budget is published for public review no later than July 15 of 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 number 1h below.
- 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.
- h. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets, when money is available, to increase legal spending authority. There was one supplemental budget in FY15. See page 38 for more information.
- i. Unexpended appropriations lapse at year end unless encumbered by resolution of the school board. No encumbrances were outstanding at June 30, 2015.
- j. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds. Formal budgetary integration is not employed for debt service funds (if any) because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
- k. Budgets for the general fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. GAAP and Budgetary Accounting Basis Difference:

The financial statements prepared in conformity with U.S.GAAP 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 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 service/business/pupil transportation function of government, along with all other current pupil transportation related expenditures.

ROSHOLT SCHOOL DISTRICT NO. 54-4

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE THREE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE  
 SOUTH DAKOTA RETIREMENT SYSTEM NET PENSION LIABILITY (ASSET)  
 FOR THE ONE YEAR ENDING JUNE 30, 2015

SDRS Measurement Date Year Ended (1)	School's Percentage of the Net Pension Asset	School's Proportionate Share of Net Pension Asset	School's Covered Employee Payroll	School's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2014	0.0607451%	437,644	1,062,265	41.20%	107.3%

(1) The data provided in this schedule is based on the measurement date of the South Dakota Retirement System's net pension liability.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

ROSHOLT SCHOOL DISTRICT NO. 54-4

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE FOUR  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS  
 TO THE SOUTH DAKOTA RETIREMENT SYSTEM  
 FOR THE ONE YEAR ENDING JUNE 30, 2015

SDRS Measurement Date Year Ended (1)	Statutorily Required Contribution	Contributions Related to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
June 30, 2014	63,736	63,736	0	1,062,265	6.00%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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

Governing Board  
Rosholt School District No. 54-4  
Rosholt, South Dakota

INDEPENDENT AUDITOR'S REPORT

I 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 governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Rosholt School District (School District), Roberts County, South Dakota, as of June 30, 2015 and for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued my report thereon dated March 21, 2016 which was unmodified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rosholt School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of current audit findings and responses as item 2015-01.

I did note minor matters involving compliance that I reported to the governing body and management of the Rosholt School District in a separate Letter of Comments dated March 21, 2016.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exist 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 Rosholt 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be a material weakness. However, material weaknesses may exist that have not been identified.

I did identify a deficiency in internal control, described in the accompanying schedule of current audit findings and responses that I consider to be a significant deficiency. I consider the deficiency described in the accompanying schedule of current audit findings and responses as item 2015-01 to be a significant deficiency.

I did note minor matters involving internal control that I reported to the governing body and management of the Rosholt School District in a separate Letter of Comments dated March 21, 2016.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on the effectiveness of the School District's compliance or internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rosholt School District's compliance and internal control over financial reporting. 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.

Independent Audit Services, PC  
Benjamin Elliott, CPA  
Madison, South Dakota

March 21, 2016



SCHEDULE OF PRIOR AUDIT FINDINGS

There were no written prior audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Part I - Summary of the Audit:

Financial Statements

Type of auditor's report issued:

Unqualified on:

Governmental Activities  
Business-Type Activities  
Major Funds  
Aggregate Remaining Funds

Noncompliance noted:

Item 2015-01

Internal control over financial reporting:

\* Material weakness(es) identified?

None Reported

\* Significant deficiency(ies) identified  
that are not considered to be material  
weaknesses?

Items 2015-01

Part II - Findings Relating to the Financial Statements

Finding 2015-01: Budget Overdraft  
(compliance and internal control)

Criteria:

SDCL 13-11-2 requires governmental expenditures to be authorized in an annual appropriation ordinance, or by a supplemental appropriation ordinance, by the governing body before the end of the fiscal year. The School District is prohibited from spending in excess of appropriated amounts at the fund level.

Condition:

The Capital Outlay fund spent \$34,950 more than its budget, which was due to the lease purchase of computer equipment.

The Pension fund spent \$64,610 but had no budget.

Effect:

Expenditures in excess of a budget can lead to unnecessary expenditures.

Recommendation:

I recommend the School District adopt a supplemental budget for equipment lease/purchases and adopt a budget for the Pension Fund.

Management Response:

Management agrees with this recommendation. In the future, the School District will adopt a supplemental budget for equipment lease/purchases and adopt a budget for the Pension Fund.