

RUTLAND SCHOOL DISTRICT NO. 39-4

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
WITH SUPPLEMENTARY INFORMATION**

JUNE 30, 2015

RUTLAND SCHOOL DISTRICT NO. 39-4

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Wahlenberg Ritzman & Co., LLC

certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the School Board
Rutland School District No. 39-4
Rutland, South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of **Rutland School District No. 39-4 (the School District), Rutland, South Dakota**, as of and for the year ended June 30, 2015, 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

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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Rutland School District No. 39-4, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard

As described in Notes 2 and 11 to the financial statements, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of American require that the budgetary comparison information, schedule of employer's share of net pension asset, and schedule of employer's contributions on pages 41 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements themselves, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining nonmajor fund financial statements are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated August 12, 2016, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Wohlschlag Ritzman + Co., LLC

Yankton, South Dakota
August 12, 2016

RUTLAND SCHOOL DISTRICT NO. 39-4

STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 1,057,553	\$ 14,134	\$ 1,071,687	\$ 7,850
Accounts receivable, net of allowances	-	448	448	2,118
Taxes receivable	493,236	-	493,236	-
Due from other governments	24,936	-	24,936	-
Interfund balances	3,162	(3,162)	-	-
Inventories	-	1,867	1,867	11,035
Net pension asset	238,963	-	238,963	-
Capital assets:				
Capital assets not being depreciated	868,723	-	868,723	-
Capital assets being depreciated, net	634,312	9,957	644,269	33,294
Total capital assets	<u>1,503,035</u>	<u>9,957</u>	<u>1,512,992</u>	<u>33,294</u>
Total assets	<u>3,320,885</u>	<u>23,244</u>	<u>3,344,129</u>	<u>54,297</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related deferred inflows	<u>219,086</u>	<u>-</u>	<u>219,086</u>	<u>-</u>
Total deferred inflows of resources	<u>219,086</u>	<u>-</u>	<u>219,086</u>	<u>-</u>
LIABILITIES				
Accounts payable	-	-	-	1,800
Contracts payable and payroll liabilities	79,857	4,818	84,675	-
Long-term liabilities:				
Due or payable within one year	100,000	-	100,000	-
Due or payable after one year	<u>1,316,000</u>	<u>-</u>	<u>1,316,000</u>	<u>-</u>
Total liabilities	<u>1,495,857</u>	<u>4,818</u>	<u>1,500,675</u>	<u>1,800</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related deferred inflows	276,760	-	276,760	-
Taxes levied for future periods	<u>490,847</u>	<u>-</u>	<u>490,847</u>	<u>-</u>
Total deferred inflows of resources	<u>767,607</u>	<u>-</u>	<u>767,607</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	87,035	9,957	96,992	33,294
Restricted for:				
Capital outlay	866,451	-	866,451	-
Special education	104,598	-	104,598	-
Pension	8,445	-	8,445	-
Debt service	22,100	-	22,100	-
SDRS Pension activities	181,289	-	181,289	-
Unrestricted	<u>6,589</u>	<u>8,469</u>	<u>15,058</u>	<u>19,203</u>
Total net position	<u>\$ 1,276,507</u>	<u>\$ 18,426</u>	<u>\$ 1,294,933</u>	<u>\$ 52,497</u>

The accompanying notes are an integral part of these financial statements

RUTLAND SCHOOL DISTRICT NO. 39-4

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-type Activities	Total	
Primary government:							
Governmental activities:							
Instruction	\$ 993,832	\$ -	\$ 33,771	\$ (960,061)		\$ (960,061)	
Support services	645,540	-	47,551	(597,989)		(597,989)	
Cocurricular activities	59,540	6,252	-	(53,288)		(53,288)	
Interest and fiscal charges *	29,481	-	-	(29,481)		(29,481)	
Total governmental activities	<u>1,728,393</u>	<u>6,252</u>	<u>81,322</u>	<u>(1,640,819)</u>		<u>(1,640,819)</u>	
Business-type activities:							
Food service	76,130	34,667	45,113		\$ 3,650	3,650	
Aftercare	4,148	2,392	-		(1,756)	(1,756)	
Total business-type activities	<u>80,278</u>	<u>37,059</u>	<u>45,113</u>		<u>1,894</u>	<u>1,894</u>	
Total primary government	<u>\$ 1,808,671</u>	<u>\$ 43,311</u>	<u>\$ 126,435</u>	<u>(1,640,819)</u>	<u>1,894</u>	<u>(1,638,925)</u>	
Component unit:							
Retail store	<u>\$ 341,461</u>	<u>\$ 311,380</u>	<u>\$ 18,400</u>				<u>\$ (11,681)</u>
* The School District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.							
General revenues:							
Taxes:							
Property taxes				1,122,432	-	1,122,432	-
Gross receipts tax				25,591	-	25,591	-
Revenue from state sources:							
State aid				567,654	-	567,654	-
Earnings on investments				374	3	377	-
Miscellaneous				106,495	-	106,495	-
Transfers				(1,753)	1,753	-	-
Total general revenues and transfers				<u>1,820,793</u>	<u>1,756</u>	<u>1,822,549</u>	<u>-</u>
Change in net position				<u>179,974</u>	<u>3,650</u>	<u>183,624</u>	<u>(11,681)</u>
Net position - beginning				968,216	14,776	982,992	64,178
Prior period adjustment				128,317	-	128,317	-
Net position - beginning, restated				<u>1,096,533</u>	<u>14,776</u>	<u>1,111,309</u>	<u>64,178</u>
Net position - ending				<u>\$ 1,276,507</u>	<u>\$ 18,426</u>	<u>\$ 1,294,933</u>	<u>\$ 52,497</u>

The accompanying notes are an integral part of these financial statements

RUTLAND SCHOOL DISTRICT NO. 39-4

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Capital Outlay	Special Education	Capital Project		
ASSETS						
Cash and cash equivalents	\$ 51,732	\$ 299,041	\$ 109,533	\$ 566,771	\$ 30,476	\$ 1,057,553
Taxes receivable - current	209,967	164,864	98,259	-	17,757	490,847
Taxes receivable - delinquent	1,585	453	288	-	63	2,389
Due from other funds	3,162	-	-	-	-	3,162
Due from other governments	23,847	639	381	-	69	24,936
Total assets	\$ 290,293	\$ 464,997	\$ 208,461	\$ 566,771	\$ 48,365	\$ 1,578,887
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Contracts payable and payroll liabilities	\$ 74,541	\$ -	\$ 5,316	\$ -	\$ -	\$ 79,857
Total liabilities	74,541	-	5,316	-	-	79,857
Deferred Inflows of Resources:						
Unavailable revenue - property taxes	1,585	453	288	-	63	2,389
Taxes levied for future periods	209,967	164,864	98,259	-	17,757	490,847
Total deferred inflows of resources	211,552	165,317	98,547	-	17,820	493,236
Fund balances:						
Restricted:						
Capital outlay	-	299,680	-	566,771	-	866,451
Special education	-	-	104,598	-	-	104,598
Pension	-	-	-	-	8,445	8,445
Debt service	-	-	-	-	22,100	22,100
Unassigned	4,200	-	-	-	-	4,200
Total fund balances	4,200	299,680	104,598	566,771	30,545	1,005,794
Total liabilities, deferred inflows of resources and fund balances	\$ 290,293	\$ 464,997	\$ 208,461	\$ 566,771	\$ 48,365	\$ 1,578,887

The accompanying notes are an integral part of these financial statements

RUTLAND SCHOOL DISTRICT NO. 39-4

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balances for governmental funds		\$ 1,005,794
Total net position reported for governmental activities in the statement of net position is different because:		
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		238,963
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	\$ 4,053	
Construction in progress	864,670	
Building and improvements, net of \$482,736 accumulated depreciation	402,963	
Equipment, net of \$250,080 accumulated depreciation	<u>231,349</u>	
Total capital assets		1,503,035
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.		219,086
Long-term liabilities, including bonds payable and capital outlay certificates are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds payable	(221,000)	
Capital outlay certificates	<u>(1,195,000)</u>	
Total long-term liabilities		(1,416,000)
Some of the School District's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.		2,389
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.		<u>(276,760)</u>
Total net position of governmental activities		<u>\$ 1,276,507</u>

The accompanying notes are an
integral part of these financial statements

RUTLAND SCHOOL DISTRICT NO. 39-4

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Capital Outlay	Special Education	Capital Project		
REVENUES						
Local sources:						
Taxes	\$ 536,758	\$ 363,079	\$ 206,138	\$ -	\$ 39,659	\$ 1,145,634
Earnings on investments and deposits	26	80	24	239	5	374
Cocurricular activities	6,252	-	-	-	-	6,252
Other local revenue	28,919	5,904	4,686	-	-	39,509
Intergovernmental:						
Intermediate sources	23,179	4,148	2,345	-	447	30,119
State sources	567,654	-	-	-	-	567,654
Federal sources	59,028	-	14,266	-	-	73,294
Total revenues	<u>1,221,816</u>	<u>373,211</u>	<u>227,459</u>	<u>239</u>	<u>40,111</u>	<u>1,862,836</u>
EXPENDITURES						
Instruction:						
Regular programs	792,120	24,849	-	-	31,156	848,125
Special programs	20,491	-	112,992	-	4,374	137,857
Support services:						
Pupils	38,266	-	65,584	-	3,733	107,583
Instructional staff	29,227	-	-	-	-	29,227
General administration	103,811	1,832	-	-	2,856	108,499
School administration	13,479	-	-	-	563	14,042
Business	300,572	52,656	-	-	-	353,228
Special education	-	-	4,966	-	-	4,966
Cocurricular activities:						
Combined activities	47,287	2,000	-	-	-	49,287
Debt service:						
Principal	-	105,000	-	-	-	105,000
Interest	-	29,481	-	-	-	29,481
Capital Outlay	-	165,738	-	709,881	-	875,619
Total expenditures	<u>1,345,253</u>	<u>381,556</u>	<u>183,542</u>	<u>709,881</u>	<u>42,682</u>	<u>2,662,914</u>
Excess (deficiency) of revenues over expenditures	<u>(123,437)</u>	<u>(8,345)</u>	<u>43,917</u>	<u>(709,642)</u>	<u>(2,571)</u>	<u>(800,078)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	351	-	-	-	22,100	22,451
Transfers out	(1,756)	(22,180)	(24)	(239)	(5)	(24,204)
Total other financing sources (uses)	<u>(1,405)</u>	<u>(22,180)</u>	<u>(24)</u>	<u>(239)</u>	<u>22,095</u>	<u>(1,753)</u>
Net change in fund balances	(124,842)	(30,525)	43,893	(709,881)	19,524	(801,831)
Fund balances - beginning	<u>129,042</u>	<u>330,205</u>	<u>60,705</u>	<u>1,276,652</u>	<u>11,021</u>	<u>1,807,625</u>
Fund balances - ending	<u>\$ 4,200</u>	<u>\$ 299,680</u>	<u>\$ 104,598</u>	<u>\$ 566,771</u>	<u>\$ 30,545</u>	<u>\$ 1,005,794</u>

The accompanying notes are an integral part of these financial statements

RUTLAND SCHOOL DISTRICT NO. 39-4

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds	\$ (801,831)
The change in net position reported for governmental activities in the statement of activities is different because:	
In both the government wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the fund's statement differs from the accounting in the government wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".	2,389
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$875,619) exceeded depreciation expense (\$54,175) in the current period.	821,444
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	
Capital outlay certificates	105,000
Changes in the pension related deferred outflows/inflows are direct components of pension asset and are not reflected in the governmental funds.	<u>52,972</u>
Change in net position of governmental activities	<u>\$ 179,974</u>

The accompanying notes are an
integral part of these financial statements

RUTLAND SCHOOL DISTRICT NO. 39-4

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2015

	Enterprise Funds		
	Major Fund Food Service	Nonmajor Fund Aftercare	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 14,134	\$ -	\$ 14,134
Accounts receivable, net of allowances	448	-	448
Inventories:			
Stores purchased for resale	1,530	-	1,530
Donated food	337	-	337
Total current assets	<u>16,449</u>	<u>-</u>	<u>16,449</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment	36,687	-	36,687
Less accumulated depreciation	(26,730)	-	(26,730)
Total noncurrent assets	<u>9,957</u>	<u>-</u>	<u>9,957</u>
Total assets	<u>26,406</u>	<u>-</u>	<u>26,406</u>
LIABILITIES			
Current liabilities:			
Contracts payable and payroll liabilities	4,818	-	4,818
Due to other funds	<u>3,162</u>	<u>-</u>	<u>3,162</u>
Total liabilities	<u>7,980</u>	<u>-</u>	<u>7,980</u>
NET POSITION			
Net investment in capital assets	9,957	-	9,957
Unrestricted	<u>8,469</u>	<u>-</u>	<u>8,469</u>
Total net position	<u>\$ 18,426</u>	<u>\$ -</u>	<u>\$ 18,426</u>

The accompanying notes are an integral part of these financial statements

RUTLAND SCHOOL DISTRICT NO. 39-4

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Enterprise Funds		
	Major Fund	Nonmajor Fund	Total
	Food Service	Aftercare	
OPERATING REVENUES			
Charges for goods and services	\$ 34,667	\$ 2,392	\$ 37,059
Total operating revenues	<u>34,667</u>	<u>2,392</u>	<u>37,059</u>
OPERATING EXPENSES			
Personal expense	26,417	3,798	30,215
Cost of materials	208	350	558
Cost of sales - purchased food	42,345	-	42,345
Cost of sales - donated food	4,668	-	4,668
Other operating expenses	40	-	40
Depreciation	<u>2,452</u>	<u>-</u>	<u>2,452</u>
Total operating expenses	<u>76,130</u>	<u>4,148</u>	<u>80,278</u>
Operating (loss)	<u>(41,463)</u>	<u>(1,756)</u>	<u>(43,219)</u>
NONOPERATING REVENUES (EXPENSES)			
Local sources:			
Investment earnings	3	-	3
Donations	3,445	-	3,445
State sources:			
Cash reimbursements	485	-	485
Federal sources:			
Cash reimbursements	36,544	-	36,544
Donated food	<u>4,639</u>	<u>-</u>	<u>4,639</u>
Total nonoperating revenues	<u>45,116</u>	<u>-</u>	<u>45,116</u>
Income before transfers	<u>3,653</u>	<u>(1,756)</u>	<u>1,897</u>
Transfer in	-	1,756	1,756
Transfer out	<u>(3)</u>	<u>-</u>	<u>(3)</u>
Total transfers	<u>(3)</u>	<u>1,756</u>	<u>1,753</u>
Change in net position	3,650	-	3,650
Total net position - beginning	<u>14,776</u>	<u>-</u>	<u>14,776</u>
Total net position - ending	<u>\$ 18,426</u>	<u>\$ -</u>	<u>\$ 18,426</u>

The accompanying notes are an integral part of these financial statements

RUTLAND SCHOOL DISTRICT NO. 39-4

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2015

	Enterprise Funds		
	Major Fund	Nonmajor Fund	Total
	Food Service	Aftercare	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 34,684	\$ 2,392	\$ 37,076
Payments to suppliers	(42,850)	(350)	(43,200)
Payments to employees	(26,294)	(3,798)	(30,092)
Net cash (used in) operating activities	<u>(34,460)</u>	<u>(1,756)</u>	<u>(36,216)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Donations	3,445	-	3,445
Transfer in	-	1,756	1,756
Transfer out	(3)	-	(3)
Cash reimbursements - state sources	485	-	485
Cash reimbursements - federal sources	<u>36,544</u>	<u>-</u>	<u>36,544</u>
Net cash provided by noncapital financing activities	<u>40,471</u>	<u>1,756</u>	<u>42,227</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	<u>3</u>	<u>-</u>	<u>3</u>
Net increase in cash and cash equivalents	6,014	-	6,014
Balances - beginning of year	<u>8,120</u>	<u>-</u>	<u>8,120</u>
Balances - end of year	<u>\$ 14,134</u>	<u>\$ -</u>	<u>\$ 14,134</u>
Reconciliation of operating (loss) to net cash (used in) operating activities:			
Operating (loss)	\$ (41,463)	\$ (1,756)	\$ (43,219)
Adjustments to reconcile operating income to net cash (used in) operating activities:			
Depreciation	2,452	-	2,452
Value of donated commodities used	4,639	-	4,639
Change in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	17	-	17
Inventories	(228)	-	(228)
Increase (decrease) in:			
Contracts payable and payroll liabilities	123	-	123
Net cash (used in) operating activities	<u>\$ (34,460)</u>	<u>\$ (1,756)</u>	<u>\$ (36,216)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Value of commodities received	<u>\$ 4,639</u>	<u>\$ -</u>	<u>\$ 4,639</u>

The accompanying notes are an integral part of these financial statements

RUTLAND SCHOOL DISTRICT NO. 39-4

**STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	Private- Purpose Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 947	\$ 42,175
Total assets	<u>947</u>	<u>42,175</u>
LIABILITIES		
Amount held for others	<u>-</u>	<u>42,175</u>
Total liabilities	<u>-</u>	<u>42,175</u>
NET POSITION	<u>\$ 947</u>	<u>\$ -</u>

The accompanying notes are an
integral part of these financial statements

RUTLAND SCHOOL DISTRICT NO. 39-4

**STATEMENT OF CHANGES NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2015**

	Private- Purpose Trust Fund
ADDITIONS:	
Donations	\$ <u>342</u>
Total Additions	<u>342</u>
DEDUCTIONS:	
Trust deductions for scholarships	<u>390</u>
Total Deductions	<u>390</u>
Change in Net Position	(48)
Net Position - Beginning	<u>995</u>
Net Position - Ending	<u>\$ 947</u>

The accompanying notes are an
integral part of these financial statements

RUTLAND SCHOOL DISTRICT NO. 39-4

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The reporting entity of Rutland School District No. 39-4 (the School District), consists of the primary government, which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity; those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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 (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District.

The discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the School District.

The Rutland Area Community Store, Inc. is a non-profit corporation formed to provide employment opportunities for students. It is a convenience store for residents of the Rutland area. The School District appoints the board members of the component unit and approves all of its expenses.

Financial statements for the component unit can be obtained from the Rutland School District No. 39-4, Rutland South Dakota, or by calling 605-586-4352.

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

RUTLAND SCHOOL DISTRICT NO. 39-4

NOTES TO FINANCIAL STATEMENTS - continued JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation

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

The Statement of Net Position reports all financial and capital resources in a net position form. Net Position is displayed in three components, as applicable, net investment in capital assets, restricted, and unrestricted.

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

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

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

RUTLAND SCHOOL DISTRICT NO. 39-4

**NOTES TO FINANCIAL STATEMENTS - continued
JUNE 30, 2015**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Basis of Presentation, continued

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

Governmental Funds:

General Fund - the General Fund is the general operating fund. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

Special Revenue Funds - special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

Capital Projects Funds – capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary Funds:

Enterprise Funds - enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds:

Fiduciary funds consist of the following sub-categories

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

Private-Purpose Trust Funds - private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains a private-purpose trust fund for scholarships.

RUTLAND SCHOOL DISTRICT NO. 39-4

NOTES TO FINANCIAL STATEMENTS - continued JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Measurement Focus and Basis of Accounting, continued

All proprietary funds and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The business-type activities and enterprise funds do not apply any FASB Statements and Interpretations issued after November 30, 1989.

Interfund Eliminations and Reclassifications

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.

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 net current assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources."

Capital Assets

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

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

Government-Wide Statements:

All purchased capital assets are valued at cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

RUTLAND SCHOOL DISTRICT NO. 39-4

**NOTES TO FINANCIAL STATEMENTS - continued
JUNE 30, 2015**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Capital Assets, continued

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

The total June 30, 2015 balances of capital assets for governmental activities include approximately 60 percent for which the values were determined by estimates of the original costs. The total June 30, 2015 balances of capital assets for business-type activities include approximately 5 percent for which the values were determined by estimates of the original cost. These estimated original costs were established by deflated current replacement cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	All	-	-
Buildings	\$25,000	Straight-line	15-50 yrs.
Improvements other than buildings	\$25,000	Straight-line	15-50 yrs.
Machinery and equipment	\$5,000	Straight-line	4-20 yrs.

Land, an inexhaustible capital asset, is not depreciated.

Fund Financial Statements

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

Long-Term Liabilities

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

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

RUTLAND SCHOOL DISTRICT NO. 39-4

NOTES TO FINANCIAL STATEMENTS - continued JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Long-Term Liabilities, continued

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

Program Revenues

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

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

Proprietary Funds Revenue and Expense Classifications

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

Cash and Cash Equivalents

The School District pools its cash resources for depositing and investing purposes. For purposes of financial statement reporting, the School District considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. Certificates of deposit, regardless of maturity, are not considered to be cash equivalents.

RUTLAND SCHOOL DISTRICT NO. 39-4

NOTES TO FINANCIAL STATEMENTS - continued
JUNE 30, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Deferred Inflows of Resources

In addition to assets, the statement of net 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 (expenses) until the applicable future period. Deferred outflows consist of pension activity.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to future period or periods. These items will not be recognized as an inflow of resources (revenue) until the applicable future period. Deferred inflows of resources consist primarily of property taxes and pension activity.

Pension

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

Equity Classifications

Government-wide Statements:

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

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

RUTLAND SCHOOL DISTRICT NO. 39-4

NOTES TO FINANCIAL STATEMENTS - continued JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Equity Classifications, continued

Fund Financial Statements:

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

Application of Net Position

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

Fund Balance Classification Policies and Procedures

In accordance with the Government Accounting Standards Board (GASB) the School District classifies governmental fund balances as follows:

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

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

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

RUTLAND SCHOOL DISTRICT NO. 39-4

NOTES TO FINANCIAL STATEMENTS - continued
JUNE 30, 2015

2. IMPLEMENTATION OF GASB STATEMENT NO. 68 AND GASB STATEMENT NO. 71

As of July 1, 2014, the School District adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The implementation of these standards requires governments to calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability (asset), deferred outflows of resources, deferred inflows of resources, and pension expense (revenue). The effect of the implementation of these standards on beginning net position is disclosed below and the additional disclosures required by these standards are included in Note 10.

Beginning net position was restated to retroactively report the beginning net position liability and deferred outflows of resources related to contributions made after the measurement date as follows:

	<u>Governmental Activities</u>
Net Position - June 30, 2014, as previously reported	\$ 968,216
Restatement for pension accounting:	
Net Pension Asset	93,516
Pension Related Deferred Outflows of Resources	<u>34,801</u>
Net Position - July 1, 2015, as restated	<u>\$ 1,096,533</u>

3. DEPOSITS AND INVESTMENTS

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

RUTLAND SCHOOL DISTRICT NO. 39-4

NOTES TO FINANCIAL STATEMENTS - continued JUNE 30, 2015

3. DEPOSITS AND INVESTMENTS

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

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. As of June 30, 2015, the School District's deposits were fully insured or collateralized and were not exposed to custodial credit risk.

Investments – As of June 30, 2015, the School District had no investments.

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

Credit Risk – State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices. As of June 30, 2015, the School District had no investments.

Concentration of Credit Risk – The School District places no limit on the amount that may be invested in any one issuer. As of June 30, 2015, the School District had no investments.

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 income from deposits and investments to the General Fund. Accounting principles generally accepted in the United States of America, on the other hand, requires material income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

RUTLAND SCHOOL DISTRICT NO. 39-4

NOTES TO FINANCIAL STATEMENTS - continued JUNE 30, 2015

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. Allowance for uncollectible accounts receivable in the Enterprise Funds are calculated based on historical trend data. The other funds receivables are stated at the face value. For the year ended June 30, 2015, the allowance for doubtful accounts in the Enterprise Funds totaled \$315.

5. INVENTORY

Inventory is stated at the lower of cost (first-in first-out) or market. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

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

In the fund financial statements, inventories in the General Fund and Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by nonspendable fund balance, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Inventories of the governmental funds were immaterial as of June 30, 2015.

Inventory of the component unit consists of fuel and merchandise for resale stated at the lower of cost (first-in first-out) or market.

6. PROPERTY TAXES

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

RUTLAND SCHOOL DISTRICT NO. 39-4

NOTES TO FINANCIAL STATEMENTS - continued
JUNE 30, 2015

7. CHANGES IN CAPITAL ASSETS

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

Governmental activities:	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 4,053	\$ -	\$ -	\$ 4,053
Construction in progress	108,850	755,820	-	864,670
Total capital assets not being depreciated	<u>112,903</u>	<u>755,820</u>	<u>-</u>	<u>868,723</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	810,795	74,904	-	885,699
Equipment	436,534	44,895	-	481,429
Total capital assets being depreciated	<u>1,247,329</u>	<u>119,799</u>	<u>-</u>	<u>1,367,128</u>
Less accumulated depreciation for:				
Buildings and improvements	456,365	26,371	-	482,736
Equipment	222,276	27,804	-	250,080
Total accumulated depreciation	<u>678,641</u>	<u>54,175</u>	<u>-</u>	<u>732,816</u>
Total capital assets being depreciated, net	<u>568,688</u>	<u>65,624</u>	<u>-</u>	<u>634,312</u>
Governmental activities capital assets, net	<u>\$ 681,591</u>	<u>\$ 821,444</u>	<u>\$ -</u>	<u>\$ 1,503,035</u>

Construction in progress consists of initial architect and design costs associated with a classroom and kitchen addition. The School District has contracted with a construction contractor and architect for a total of approximately \$1,400,000 for the entire project. The project has been funded with the issuance of Capital Outlay Certificates, proceeds of which are held and accounted for in the Capital Project Fund.

Governmental activities' depreciation expense for the year ended June 30, 2015 was charged to functions as follows:

Governmental Activities:	
Instruction	\$ 15,927
Support Services	27,995
Cocurricular Activities	<u>10,253</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 54,175</u>

RUTLAND SCHOOL DISTRICT NO. 39-4

NOTES TO FINANCIAL STATEMENTS - continued
JUNE 30, 2015

7. CHANGES IN CAPITAL ASSETS, continued

A summary of changes in business-type activities' capital assets for the year ended June 30, 2015 is as follows:

Business-type activities:	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Capital assets being depreciated:</i>				
Equipment	\$ 36,687	\$ -	\$ -	\$ 36,687
Total capital assets being depreciated	<u>36,687</u>	<u>-</u>	<u>-</u>	<u>36,687</u>
Less accumulated depreciation for:				
Equipment	24,278	2,452	-	26,730
Total accumulated depreciation	<u>24,278</u>	<u>2,452</u>	<u>-</u>	<u>26,730</u>
Total capital assets being depreciated, net	<u>12,409</u>	<u>(2,452)</u>	<u>-</u>	<u>9,957</u>
Business-type activities capital assets, net	<u>\$ 12,409</u>	<u>\$ (2,452)</u>	<u>\$ -</u>	<u>\$ 9,957</u>

Business-type activities' depreciation expense for the year ended June 30, 2015 was charged to functions as follows:

Business-Type Activities:	
Food Service Fund	<u>\$ 2,452</u>

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

Component Unit:	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	\$ 57,989	\$ -	\$ -	\$ 57,989
Equipment	3,966	-	-	3,966
Total capital assets being depreciated	<u>61,955</u>	<u>-</u>	<u>-</u>	<u>61,955</u>
Less accumulated depreciation for:				
Buildings and improvements	23,196	1,499	-	24,695
Equipment	3,966	-	-	3,966
Total accumulated depreciation	<u>27,162</u>	<u>1,499</u>	<u>-</u>	<u>28,661</u>
Total capital assets being depreciated, net	<u>34,793</u>	<u>(1,499)</u>	<u>-</u>	<u>33,294</u>
Component Unit capital assets, net	<u>\$ 34,793</u>	<u>\$ (1,499)</u>	<u>\$ -</u>	<u>\$ 33,294</u>

RUTLAND SCHOOL DISTRICT NO. 39-4

NOTES TO FINANCIAL STATEMENTS - continued
JUNE 30, 2015

8. LONG-TERM LIABILITIES

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

Governmental activities:	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due in One Year</u>
<i>Debt Payable:</i>					
Bonds Payable	\$ 221,000	\$ -	\$ -	\$ 221,000	\$ -
Capital Outlay Certificates	<u>1,300,000</u>	<u>-</u>	<u>(105,000)</u>	<u>1,195,000</u>	<u>100,000</u>
Governmental activities					
Long-term liabilities	<u>\$ 1,521,000</u>	<u>\$ -</u>	<u>\$ (105,000)</u>	<u>\$ 1,416,000</u>	<u>\$ 100,000</u>

Debt payable at June 30, 2015 is comprised of the following:

Capital Outlay Certificates:

Limited Tax General Obligation

Certificates, Series 2014, matures January 2026, interest rates range from 0.65% to 3.50% depending on length to maturity, payments are from the Capital Outlay Fund.

\$ 1,195,000

Bonds Payable:

Qualified Zone Academy Bonds – Series 2013

zero interest. The bonds are due in annual sinking fund payments of \$22,100 until 2029.

The payments will be made from a debt service fund, via transfers from the Capital Outlay Fund

221,000

Total debt payable

\$ 1,416,000

RUTLAND SCHOOL DISTRICT NO. 39-4

**NOTES TO FINANCIAL STATEMENTS - continued
JUNE 30, 2015**

8. LONG-TERM LIABILITIES, continued

The annual requirements to amortize long-term liabilities outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	Governmental Activities		
	Debt Payable		Total
	Principal	Interest	
2016	\$ 100,000	\$ 29,140	\$ 129,140
2017	100,000	28,240	128,240
2018	100,000	27,140	127,140
2019	100,000	25,740	125,740
2020	105,000	24,040	129,040
2021 - 2025	786,000	77,218	863,218
2026	125,000	4,375	129,375
Total	\$ 1,416,000	\$ 215,893	\$ 1,631,893

9. INDIVIDUAL INTERFUND BALANCES AND TRANSACTIONS

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

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 3,162	\$ -
Food Service Fund	-	3,162
	<u>\$ 3,162</u>	<u>\$ 3,162</u>

The purpose of the balances was to recognize temporary interfund loans. It is anticipated that they will be liquidated within the coming fiscal year.

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

	Transfers In From	Transfers Out To
<i>Governmental activities:</i>		
General Fund:		
Capital Outlay Fund	\$ 80	\$ -
Special Education Fund	24	-
Pension Fund	2	-
Debt Service Fund	3	-
Capital Project Fund	239	-
Food Service Fund	3	-
Aftercare Fund	-	1,756
	<u>351</u>	<u>1,756</u>

RUTLAND SCHOOL DISTRICT NO. 39-4

NOTES TO FINANCIAL STATEMENTS - continued
JUNE 30, 2015

9. INDIVIDUAL INTERFUND BALANCES AND TRANSACTIONS, continued

	Transfers In From	Transfers Out To
Capital Outlay Fund:		
General Fund	-	80
Debt Service Fund	-	22,100
	-	22,180
Special Education Fund:		
General Fund	-	24
	-	24
Pension Fund:		
General Fund	-	2
	-	2
Debt Service Fund:		
General Fund	-	3
Capital Outlay Fund	22,100	-
	22,100	3
Capital Project Fund:		
General Fund	-	239
	-	239
<i>Total governmental activities</i>	<i>22,451</i>	<i>24,204</i>
<i>Business-type activities:</i>		
Food Service Fund:		
General Fund	-	3
	-	3
Aftercare Fund:		
General Fund	1,756	-
	1,756	-
<i>Total business-type activities</i>	<i>1,756</i>	<i>3</i>
Total primary government	\$ 24,207	\$ 24,207

The purpose of the transactions was to comply with the District's policy of transferring investment earnings to the General Fund, to provide additional funding to the aftercare program, and to provide funding for the debt service fund.

RUTLAND SCHOOL DISTRICT NO. 39-4

NOTES TO FINANCIAL STATEMENTS - continued
JUNE 30, 2015

10. RESTRICTED NET POSITION

The following table shows the net position restricted for the year ended June 30, 2015 as shown on the Statement of Net Position:

<u>Purpose</u>	<u>Restricted By</u>	
Capital outlay	Law	\$ 866,451
Special education	Law	104,598
Pension contributions	Law	8,445
Debt service	Debt Covenant	22,100
SDRS pension activities	Law	<u>181,289</u>
 Total Restricted Net Position		 <u>\$ 1,182,883</u>

11. PENSION PLAN

Plan Information

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

Benefits Provided

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

RUTLAND SCHOOL DISTRICT NO. 39-4

NOTES TO FINANCIAL STATEMENTS - continued
JUNE 30, 2015

11. PENSION PLAN, continued

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

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

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

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2015, 2014, and 2013 were \$42,878, \$34,801, and \$33,479, respectively, equal to the required contributions each year.

Pension Assets, Pension Revenue, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2014, SDRS is 107.3% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of June 30, 2014 are as follows:

Proportionate share of net position restricted for pension benefits	\$3,518,335
Less proportionate share of total pension liability	<u>3,279,372</u>
Proportionate share of net pension asset	<u>\$ 238,963</u>

RUTLAND SCHOOL DISTRICT NO. 39-4

NOTES TO FINANCIAL STATEMENTS - continued
JUNE 30, 2015

11. PENSION PLAN, continued

At June 30, 2015, the School District reported an asset of \$238,963 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014 and the total pension asset used to calculate the net pension asset was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2014, the School District's proportion was 0.0331682%.

For the year ended June 30, 2015, the School District recognized pension revenue of \$44,895. At June 30, 2015 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,220	\$ -
Changes in assumptions	155,988	-
Net difference between projected and actual earnings on pension plan investments	-	276,760
Changes in proportion and difference between the district's contributions and proportionate share of contributions	-	-
Commission contributions subsequent to the measurement date	42,878	-
Total	\$ 219,086	\$ 276,760

\$42,878 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30		
2016	\$	(18,988)
2017		(18,988)
2018		(18,988)
2019		(43,587)
Total	\$	(100,551)

RUTLAND SCHOOL DISTRICT NO. 39-4

**NOTES TO FINANCIAL STATEMENTS - continued
JUNE 30, 2015**

11. PENSION PLAN, continued

Actuarial Assumptions

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

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

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

RUTLAND SCHOOL DISTRICT NO. 39-4

NOTES TO FINANCIAL STATEMENTS - continued
JUNE 30, 2015

11. PENSION PLAN, continued

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

Discount Rate

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Association's proportionate share of the net pension /liability (asset)	\$ 236,141	\$ (238,963)	\$ (626,460)

Pension Plan Fiduciary Net Position

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

RUTLAND SCHOOL DISTRICT NO. 39-4

NOTES TO FINANCIAL STATEMENTS - continued
JUNE 30, 2015

12. JOINT VENTURE

The School District participates in the Prairie Lakes Educational Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education and other services to the member school districts.

The members of the co-op and their relative percentage participation as of June 30, 2015 are as follows:

Baltic School District No. 49-1	8%
Chester Area School District No. 39-1	6%
Colman-Egan School District No. 50-5	5%
Dell Rapids School District No. 49-3	15%
Flandreau School District No. 50-3	14%
Garretson School District No. 49-4	7%
Howard School District No. 48-3	9%
Madison Central School District No. 39-2	15%
Oldham-Ramona School District No. 39-5	4%
Rutland School District No. 39-4	3%
Tri-Valley School District No. 49-6	14%

The co-op governing board is composed of one school board member from each of the member school districts. This governing board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget. The School District retains no equity in the net assets of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above. Separate financial statements for this joint venture are available from the co-op.

At June 30, 2015 this joint venture had total assets of \$233,217, total deferred outflows of resources of \$71,479, total liabilities of \$94,407, total deferred inflows of resources of \$98,461, and net position of \$111,828.

13. RISK MANAGEMENT

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

Employee Health Insurance

The School District purchases health insurance for its employees from a commercial carrier.

RUTLAND SCHOOL DISTRICT NO. 39-4

**NOTES TO FINANCIAL STATEMENTS - continued
JUNE 30, 2015**

13. **RISK MANAGEMENT, CONTINUED**

Liability Insurance

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

Worker's Compensation

The School District purchases liability insurance for worker's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage.

Unemployment Benefits

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

During the year ended June 30, 2015, no claims for unemployment benefits were filed and no claims had been filed and none are anticipated at June 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

RUTLAND SCHOOL DISTRICT NO. 39-4

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND - PAGE 1 OF 2
 YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget Positive (Negative)</u>
REVENUES				
Revenues from local sources:				
Taxes:				
Ad valorem taxes	\$ 607,579	\$ 607,579	\$ 504,990	\$ (102,589)
Prior years ad valorem taxes	2,500	2,500	1,011	(1,489)
Gross receipts tax	34,000	34,000	29,591	(4,409)
Penalties and interest	3,200	3,200	1,166	(2,034)
Earning on investments and deposits	1,800	1,800	26	(1,774)
Cocurricular activities:				
Admissions	6,000	6,000	6,252	252
Other revenue from local sources:				
Rentals	4,000	4,000	3,150	(850)
Donations and contributions	2,500	2,500	-	(2,500)
Other	13,300	13,300	25,769	12,469
Revenues from intermediate sources:				
County sources:				
County apportionment	8,000	8,000	8,986	986
Revenue in lieu of taxes	-	-	14,193	14,193
Revenues from state sources:				
Grants-in-aid:				
Unrestricted	643,000	643,000	567,654	(75,346)
Restricted	18,000	18,000	-	(18,000)
Revenues from federal sources:				
Grants-in-aid:				
Restricted - received through the state	40,850	40,850	59,028	18,178
Total revenues	<u>1,384,729</u>	<u>1,384,729</u>	<u>1,221,816</u>	<u>(162,913)</u>
EXPENDITURES				
Instruction:				
Regular programs:				
Elementary	427,178	427,178	414,246	12,932
Secondary	384,881	384,881	377,874	7,007
Special programs:				
Educationally deprived	20,696	20,696	20,491	205

See Independent Auditor's Report

RUTLAND SCHOOL DISTRICT NO. 39-4

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND - PAGE 2 OF 2
 YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget Positive (Negative)</u>
Support services:				
Pupils:				
Guidance	43,173	43,173	38,266	4,907
Instructional staff:				
Improvement of instruction	19,000	19,000	19,000	-
Educational media	200	10,227	10,227	-
General administration:				
Board of education	7,688	7,693	7,572	121
Executive administration	105,848	105,848	96,239	9,609
School administration:				
Other	8,612	11,494	13,479	(1,985)
Business:				
Fiscal services	51,538	51,538	41,893	9,645
Operations and maintenance of plant	134,995	134,995	126,685	8,310
Pupil transportation	119,400	119,400	110,894	8,506
Rambler Stop	14,000	21,100	21,100	-
Cocurricular activities:				
Male activities	12,625	12,625	11,381	1,244
Female activities	16,050	17,119	17,119	-
Transportation	4,845	4,845	4,617	228
Combined activities	11,000	14,169	14,170	(1)
Total expenditures	<u>1,381,729</u>	<u>1,405,981</u>	<u>1,345,253</u>	<u>60,728</u>
Excess (deficiency) of revenues over expenditures	<u>3,000</u>	<u>(21,252)</u>	<u>(123,437)</u>	<u>(102,185)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	351	351
Transfers out	<u>(3,000)</u>	<u>(3,000)</u>	<u>(1,756)</u>	<u>1,244</u>
Total other financing sources (uses)	<u>(3,000)</u>	<u>(3,000)</u>	<u>(1,405)</u>	<u>1,595</u>
Net change in fund balances	-	(24,252)	(124,842)	(100,590)
Fund balances - beginning	<u>129,042</u>	<u>129,042</u>	<u>129,042</u>	<u>-</u>
Fund balances - ending	<u>\$ 129,042</u>	<u>\$ 104,790</u>	<u>\$ 4,200</u>	<u>\$ (100,590)</u>

See Independent Auditor's Report

RUTLAND SCHOOL DISTRICT NO. 39-4

BUDGETARY COMPARISON SCHEDULE
CAPITAL OUTLAY FUND
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenues from local sources:				
Taxes:				
Ad valorem taxes	366,395	366,395	361,882	(4,513)
Prior years ad valorem taxes	-	-	460	460
Penalties and interest	750	750	737	(13)
Earning on investments and deposits	-	-	80	80
Other revenue from local sources:				
Other	10,000	10,000	5,904	(4,096)
Revenues from federal sources:				
Revenue in lieu of taxes	-	-	4,148	4,148
Revenues from federal sources:				
Grants-in-aid:				
Restricted - received through the state	4,896	4,896	-	(4,896)
Total revenues	<u>382,041</u>	<u>382,041</u>	<u>373,211</u>	<u>(8,830)</u>
EXPENDITURES				
Instruction:				
Regular programs:				
Elementary	37,000	37,000	15,256	21,744
Secondary	18,000	18,000	9,593	8,407
Support services:				
General administration:				
Executive administration	2,500	2,500	1,832	668
Business:				
Fiscal services	3,000	3,000	3,000	-
Facilities acquisition and construction	55,000	158,317	158,317	-
Operation and maintenance of plant	86,000	86,000	46,617	39,383
Pupil transportation	27,000	27,000	10,460	16,540
Cocurricular activities:				
Combined activities	2,000	2,000	2,000	-
Debt service:				
Principal	105,000	105,000	105,000	-
Interest	24,441	29,481	29,481	-
Total expenditures	<u>359,941</u>	<u>468,298</u>	<u>381,556</u>	<u>86,742</u>
Excess (deficiency) of revenues over expenditures	22,100	(86,257)	(8,345)	77,912
OTHER FINANCING SOURCES (USES)				
Transfers out	(22,100)	(22,100)	(22,180)	(80)
Total other financing sources (uses)	<u>(22,100)</u>	<u>(22,100)</u>	<u>(22,180)</u>	<u>(80)</u>
Net change in fund balances	-	(108,357)	(30,525)	77,832
Fund balances - beginning	<u>330,205</u>	<u>330,205</u>	<u>330,205</u>	-
Fund balances - ending	<u>\$ 330,205</u>	<u>\$ 221,848</u>	<u>\$ 299,680</u>	<u>\$ 77,832</u>

See Independent Auditor's Report

RUTLAND SCHOOL DISTRICT NO. 39-4

BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget Positive (Negative)</u>
REVENUES				
Revenues from local sources:				
Taxes:				
Ad valorem taxes	\$ 173,710	\$ 173,710	\$ 205,401	\$ 31,691
Prior years ad valorem taxes	500	500	339	(161)
Penalties and interest	500	500	398	(102)
Earning on investments and deposits	-	-	24	24
Other revenue from local sources:				
Other	1,800	1,800	4,686	2,886
Revenues from intermediate sources:				
Revenue in lieu of taxes	-	-	2,345	2,345
Revenues from state sources:				
Grants-in-aid:				
Restricted	7,000	7,000	-	(7,000)
Revenues from federal sources:				
Grants-in-aid:				
Restricted - received through state	<u>29,896</u>	<u>29,896</u>	<u>14,266</u>	<u>(15,630)</u>
Total revenues	<u>213,406</u>	<u>213,406</u>	<u>227,459</u>	<u>14,053</u>
EXPENDITURES				
Instruction:				
Special programs:				
Special education	112,321	112,321	90,155	22,166
Day programs	27,500	27,500	22,837	4,663
Support services:				
Pupils:				
Psychological services	14,645	23,310	15,965	7,345
Speech pathology	40,440	40,440	31,825	8,615
Physical therapy	6,000	7,366	7,366	-
Occupational therapy	8,000	10,428	10,428	-
Special education:				
Administrative costs	<u>4,500</u>	<u>4,500</u>	<u>4,966</u>	<u>(466)</u>
Total expenditures	<u>213,406</u>	<u>225,865</u>	<u>183,542</u>	<u>42,323</u>
Excess (deficiency) of revenues over expenditures				
	-	(12,459)	43,917	56,376
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(24)	(24)
Total other financing sources (uses)	-	-	(24)	(24)
Net change in fund balances				
	-	(12,459)	43,893	56,352
Fund balances - beginning	<u>60,705</u>	<u>60,705</u>	<u>60,705</u>	<u>-</u>
Fund balances - ending	<u>\$ 60,705</u>	<u>\$ 48,246</u>	<u>\$ 104,598</u>	<u>\$ 56,352</u>

See Independent Auditor's Report

RUTLAND SCHOOL DISTRICT NO. 39-4

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2015

1. BASIS OF PRESENTATION

The Budgetary Comparison Schedule has been prepared on the modified accrual basis of accounting. The Budgetary Comparison Schedule presents expenditures for capital outlay purposes within each function while the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances present capital outlay expenditures as a separate function.

2. BUDGETS AND BUDGETARY ACCOUNTING

The school district follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the first regular board meeting in May of each year, the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.

RUTLAND SCHOOL DISTRICT NO. 39-4

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

2. BUDGETS AND BUDGETARY ACCOUNTING, continued

9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.

RUTLAND SCHOOL DISTRICT NO. 39-4

**SCHEDULE OF THE PROPORTIONATE SHARE
OF THE NET PENSION ASSET**

South Dakota Retirement System

	<u>2015</u>
School District's proportion of the net pension asset	0.0331682%
School District's proportionate share of net pension asset	\$ 238,963
School District's covered-employee payroll	\$ 580,017
School District's proportionate share of the net pension asset as a percentage of its covered-employee payroll	41.20%
Plan fiduciary net position as a percentage of the total pension asset	107.3%

Note: The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension asset which is 6/30 of previous fiscal year.

See Independent Auditor's Report

SOUTH EASTERN COUNCIL OF GOVERNMENTS

SCHEDULE OF CONTRIBUTIONS

South Dakota Retirement System

	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$ 34,801	\$ 42,878
Contributions in relation to the contractually required contribution	<u>34,801</u>	<u>\$ 42,878</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 580,017	\$ 714,633
Contributions as a percentage of covered-employee payroll	6.00%	6.00%

See Independent Auditor's Report

SUPPLEMENTARY INFORMATION

RUTLAND SCHOOL DISTRICT NO. 39-4

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>Pension Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 8,376	\$ 22,100	\$ 30,476
Taxes receivable - current	17,757	-	17,757
Taxes receivable - delinquent	63	-	63
Due from other governments	<u>69</u>	<u>-</u>	<u>69</u>
 Total assets	 <u>\$ 26,265</u>	 <u>\$ 22,100</u>	 <u>\$ 48,365</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Contracts payable and payroll liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
 Deferred Inflows of Resources:			
Unavailable revenue - property taxes	63	-	63
Taxes levied for future periods	<u>17,757</u>	<u>-</u>	<u>17,757</u>
Total deferred inflows of resources	<u>17,820</u>	<u>-</u>	<u>17,820</u>
 Fund balances:			
Restricted:			
Pension	8,445	-	8,445
Debt service	-	22,100	22,100
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>8,445</u>	<u>22,100</u>	<u>30,545</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 26,265</u>	 <u>\$ 22,100</u>	 <u>\$ 48,365</u>

See Independent Auditor's Report

RUTLAND SCHOOL DISTRICT NO. 39-4

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	<u>Pension Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES			
Local sources:			
Taxes	\$ 39,659	\$ -	\$ 39,659
Earnings on investments and deposits	2	3	5
Intergovernmental:			
Intermediate sources	<u>447</u>	<u>-</u>	<u>447</u>
Total revenues	<u>40,108</u>	<u>3</u>	<u>40,111</u>
EXPENDITURES			
Instruction:			
Regular programs	31,156	-	31,156
Special programs	4,374	-	4,374
Support services:			
Pupils	3,733	-	3,733
General administration	2,856	-	2,856
School administration	<u>563</u>	<u>-</u>	<u>563</u>
Total expenditures	<u>42,682</u>	<u>-</u>	<u>42,682</u>
Excess (deficiency) of revenues over expenditures	<u>(2,574)</u>	<u>3</u>	<u>(2,571)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	22,100	22,100
Transfers out	<u>(2)</u>	<u>(3)</u>	<u>(5)</u>
Total other financing sources (uses)	<u>(2)</u>	<u>22,097</u>	<u>22,095</u>
Net change in fund balances	(2,576)	22,100	19,524
Fund balances - beginning	<u>11,021</u>	<u>-</u>	<u>11,021</u>
Fund balances - ending	<u>\$ 8,445</u>	<u>\$ 22,100</u>	<u>\$ 30,545</u>

See Independent Auditor's Report

*Wahlenberg
Ritzman & Co., LLC*

certified public accountants

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

To the School Board
Rutland School District No. 39-4
Rutland, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of **Rutland School District No. 39-4 (the School District)** as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated August 12, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency. Finding 2015-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the School Board in a separate letter dated August 12, 2016.

School District's Response to Findings

School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Wohlenberg Ritzman + Co., LLC
Yankton, South Dakota
August 12, 2016

RUTLAND SCHOOL DISTRICT NO. 39-4

**SCHEDULE OF PRIOR FINDINGS
JUNE 30, 2015**

FINANCIAL STATEMENT AUDIT

Finding 2014-001 Segregation of Duties

Condition:

Our study and evaluation of internal control structure policies and procedures disclosed that there is a weakness in controls in effect at Rutland School District No. 39-4 (the District) relating to a lack of segregation of duties.

Recommendation:

The Superintendent is the contact person at this entity responsible for the corrective action plan for this comment. The entity has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. Rutland School District No. 39-4 is aware of the problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties continues to exist.

Current Status:

Repeated as Finding 2015-001.

RUTLAND SCHOOL DISTRICT NO. 39-4

SCHEDULE FINDINGS AND RESPONSES

JUNE 30, 2015

FINDING - FINANCIAL STATEMENTS AUDIT

Finding 2015-001: Segregation of Duties

Significant Deficiency

Condition:

Our study and evaluation of internal control structure policies and procedures disclosed that there is a weakness in controls in effect at Rutland School District No. 39-4 (the District) relating to a lack of segregation of duties.

Criteria:

Internal controls should be in place to provide reasonable assurance that all financial transactions are reviewed and approved before payments are made and reports generated. Controls also need to be in place to ensure all revenue is processed and recorded correctly.

Cause:

Staff size limits the ability to segregate duties for certain functions.

Effect:

A proper segregation of duties and functions assures adequate control over safeguarding of assets and the reliability of financial records and reporting.

The effectiveness of the internal control system relies on enforcement by management. Small problems lead to more severe problems such as questioned costs.

Recommendation:

We recommend that management and the school board be constantly aware of this situation and continue their review of monthly financial statements. In addition, management should strive to obtain as much segregation of duties as possible as personnel and/or responsibilities change.

Response/Corrective Action Plan:

The Superintendent is the contact person at this entity responsible for the corrective action plan for this comment. The entity has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. Rutland School District No. 39-4 is aware of the problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties continues to exist.