

SELBY AREA SCHOOL DISTRICT NO. 62-5

SELBY, SOUTH DAKOTA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDING JUNE 30, 2015

WITH INDEPENDENT AUDITOR'S REPORTS

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

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

SELBY AREA SCHOOL DISTRICT NO. 62-5  
SELBY, SOUTH DAKOTA

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AS OF AND FOR THE FISCAL YEAR ENDING JUNE 30, 2015

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

# INDEPENDENT AUDIT SERVICES, PC

Benjamin Elliott, CPA  
P.O. Box 262,  
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School Board  
Selby Area School District No. 62-5  
Selby, South Dakota

## INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Selby Area School District No. 62-5 (School District), Walworth County, South Dakota as of June 30, 2015 and for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Unmodified Opinions

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

Emphasis of Matter - Adoption of New Accounting Standard

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

Other Matters - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (page 3 to 8), the budgetary comparison schedules (page 38 to 42), schedule of net pension liability (asset) (page 43), and schedule of pension contributions (page 43) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the formation and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report (page 44) dated June 14, 2016 on my tests of the Selby Area School District's compliance with certain provisions of laws, regulations, contracts and other matters and my consideration of its internal control over financial reporting. The purpose of that report is to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on compliance or internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's compliance and internal control over financial reporting.

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



June 14, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the Selby Area School District No. 62-5's (School District) annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year ending June 30, 2015. Please read it in conjunction with the School District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Financial highlights for the Selby Area School District are as follows:

For the year ending June 30, 2015:

Revenue:	
Charges for goods and services	85,271
Operating grants	171,314
Capital grants	0
General receipts	2,580,366
	-----
Total	2,836,951
	-----
Expenses:	
Governmental	2,391,426
Business-type	117,938
	-----
Total	2,509,364
	-----
Increase in Net Position	327,587
Net Position:	
July 1, 2014, adjusted	5,720,568
	-----
June 30, 2015	6,048,155
	=====
Governmental Funds:	
General	2,069,542
Capital Outlay	1,091,544
Special Education	384,351
Pension	48,844
Building	(75,460)
Capital Assets	5,811,195
Long-term Debt	(3,302,251)
Business-Type Funds:	
Food Service	21,937
Driver's Education	(1,547)
	-----
Total	6,048,155
	=====

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

- \* Continued construction on replacing the high school and adding an auxiliary gym for \$143,715 in FY15.
- \* Completed various building improvements for \$109,715.
- \* Paid principal of \$155,000 and interest and fees of \$67,978 on the 2012 Limited Tax General Obligation Certificates.
- \* Made early retirement payments of \$4,434.

BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

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

The financial report consists of three parts: (1) management's discussion and analysis (page 3 to 8), (2) the basic financial statements (page 9 to 37) and (3) required supplementary information (page 38 to 43). The basic financial statements include two types of statements that present the School District from two different financial points of view.

Government-wide financial statements (View #1):

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

Fund financial statements (View #2):

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

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

The enterprise fund financial statements offer short-term and long-term financial information about the activities of the School District that operate like a business. The enterprise fund operated by the School District are the food service and driver's education funds.

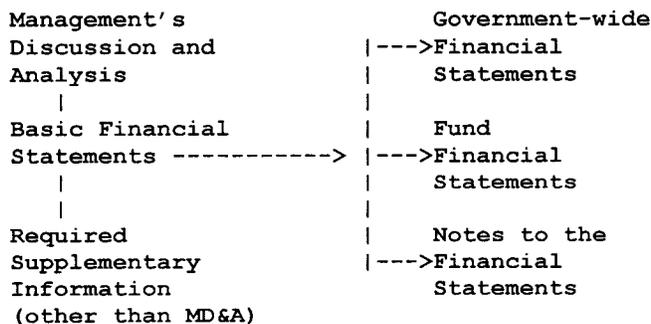
The fiduciary fund financial statements provide information about the financial status of activities (like student council or FFA) in which the School District acts solely as a trustee or agent for the benefit of those groups to whom these funds belong. The School District also administer a private-purpose trust fund for student scholarships.

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

Required Supplementary Information:

This Management's Discussion and Analysis (page 3 to 8) and the Budgetary Comparison Schedules (page 38 to 42) are financial information required to be presented by GASB. Such information provides readers of this report with additional data that supplements the government-wide statements and fund financial statements. The Budgetary Comparison Schedules are presented on a budgetary basis of accounting, which reports capital expenditures within their respective expenditure function rather than as a separate capital outlay expenditure.

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



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

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

**GOVERNMENT-WIDE STATEMENTS**

(Reporting the School District as a whole)

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

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

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

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

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

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

#### FUND FINANCIAL STATEMENTS

(Reporting the School District's most significant funds)

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

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

**Governmental funds:** Most of the School District's basic services are included in the governmental funds, which focus on (1) how cash, and other financial assets which can readily be converted into cash, flow in and out of that fund, and (2) the balances left at year-end that are available for spending in the next year. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources available for spending in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements to reconcile the differences between the governmental fund statements and the government-wide statements.

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

**Fiduciary funds:** The School District is the agent (or fiduciary) for various external and internal parties. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position. Fiduciary funds are excluded from the School District's government-wide financial statements because the School District cannot use these assets to finance the School District's operations.

#### SIGNIFICANT VARIATIONS BETWEEN ORIGINAL AND FINAL GENERAL FUND BUDGET

The School District's general fund budget of \$1,996,110 for the FY15 year is an increase of \$74,351 or 3.87% from FY14. The increase was spread across several line items. There were no supplemental appropriations to the general fund budget in FY15. See page 38 for more information.

MATERIAL CHANGES IN STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

Year Ending June 30, 2015:

(Material changes for governmental activities = changes greater than \$150,000)  
(Material changes for business-type activities = changes greater than \$ 5,000)

	Increase (Decrease)	Reason
Governmental Activities:		
Current assets	192,000	Excess revenue.
Other assets and deferred	771,000	Pension related accounting.
Long-term liabilities	(160,000)	Principal payment on 2015 Limited Tax GO Certificates.
Deferred inflows	498,000	Pension related accounting.
Business-type Activities:		
Current assets	18,000	Transfer in from general fund.
Deferred outflows	23,000	Pension related accounting.
Current liabilities	6,000	Additional accounts payable.
Deferred inflows	14,000	Pension related accounting.
Charges for services	13,000	Increased food sales.
Food service expense	12,000	Increase in the cost of food.
Transfer in	18,000	Transfer in from general fund.

SIGNIFICANT CAPITAL ASSET ACTIVITY

Significant capital asset activity is reported above. See page 36 for more information.

At June 30, 2015, the School District had invested \$5,811,606 in a broad range of capital assets, including land, buildings, improvements and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$40,913 or 0.71% from June 30, 2014.

SIGNIFICANT LONG-TERM LIABILITY

The 2012 Limited Tax GO Certificates and accrued leave are the School District's only long-term liabilities. See page 37 for more information.

CURRENTLY KNOWN FACTS

Student enrollments are:	FY10 - 199	FY13 - 182
	FY11 - 201	FY14 - 189
	FY12 - 187	FY15 - 182

In September 2015 the School District purchased a 14 passenger school bus for \$46,502.

In September 2015 the School District completed concrete work for Elementary and AG building sidewalks for \$63,189.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Selby Area School District's business office at P.O. Box 324, Selby, SD 57472.

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

	Governmental Activities		Business-Type Activities		Total Government	
	FY15	FY14	FY15	FY14	FY15	FY14
<b>Assets and deferred outflows:</b>						
Current assets	4,498	4,306	20	2	4,518	4,308
Capital assets	5,811	5,770	0	1	5,811	5,771
Other assets and def. outflow	771		23		794	0
Total assets and def. outflow	11,080	10,076	43	3	11,123	10,079
<b>Liabilities and deferred inflows:</b>						
Current liabilities	479	425	9	3	488	428
Long-term debt outstanding	3,135	3,295			3,135	3,295
Deferred inflows of resources	1,438	940	14		1,452	940
Total liabilities and deferred inflows	5,052	4,660	23	3	5,075	4,663
<b>Net position:</b>						
Net invested in capital assets	2,516	2,320	0	0	2,516	2,320
Restricted	1,824	1,141	9		1,833	1,141
Unrestricted	1,688	1,955	11	0	1,699	1,955
Total net position	6,028	5,416	20	0	6,048	5,416

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

	Governmental Activities		Business-Type Activities		Total Government	
	FY15	FY14	FY15	FY14	FY15	FY14
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	12	19	73	60	85	79
Operating grants and contri.	135	112	36	40	171	152
Capital grants and contri.					0	0
<b>General revenues:</b>						
Property taxes	2,169	2,073			2,169	2,073
Gross receipts tax	89	141			89	141
State sources	251	324			251	324
County sources	29	27			29	27
Interest earned	8	16			8	16
Donations	24	52			24	52
Sale of surplus property	1	2			1	2
Compensation for damaged property		26			0	26
Other general revenue	6	3			6	3
Pension related	3				3	0
Total revenues	2,727	2,795	109	100	2,836	2,895
<b>Expenses:</b>						
Instruction	1,200	1,105			1,200	1,105
Support services	1,053	925			1,053	925
Cocurricular activities	70	77			70	77
Nonprogrammed charges					0	0
Interest and fees	68	68			68	68
Food service			114	102	114	102
Driver's education			4	2	4	2
Total expenses	2,391	2,175	118	104	2,509	2,279
<b>Other financing sources (uses):</b>						
Transfers in (out)	(20)	(2)	20	2	0	0
Change in net position	316	618	11	(2)	327	616
<b>Net position:</b>						
June 30, 2013		4,798		2		4,800
June 30, 2014	5,416	5,416	0	0	5,416	5,416
Prior period adjustment	296		9		305	
June 30, 2015	6,028		20		6,048	

## SELBY AREA SCHOOL DISTRICT NO. 62-5

STATEMENT OF NET POSITION  
AS OF JUNE 30, 2015

	Primary Government		Total
	Governmental Activities	Business- Type Activities	
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash	1,933,493	8,718	1,942,211
Certificates of deposit	1,469,692		1,469,692
Advance payments to Trust & Agency	3,500		3,500
<b>Receivables:</b>			
Property taxes - current	966,166		966,166
Property taxes - delinquent	12,356		12,356
Due from other governments	91,491		91,491
Accounts	3,023		3,023
Inventory	18,053	11,316	29,369
<b>Total current assets</b>	<b>4,497,774</b>	<b>20,034</b>	<b>4,517,808</b>
<b>Capital assets:</b>			
Land	68,900		68,900
Buildings	6,647,972		6,647,972
Improvements other than buildings	521,740		521,740
Equipment	539,926	27,760	567,686
Equipment - vehicles	625,674		625,674
Accumulated depreciation	(2,593,017)	(27,349)	(2,620,366)
<b>Total capital assets</b>	<b>5,811,195</b>	<b>411</b>	<b>5,811,606</b>
<b>Other assets:</b>			
Net pension assets	407,874	12,311	420,185
<b>Total assets</b>	<b>10,716,843</b>	<b>32,756</b>	<b>10,749,599</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>			
Pension related deferred outflows	363,322	10,967	374,289
<b>Total deferred outflow of resources</b>	<b>363,322</b>	<b>10,967</b>	<b>374,289</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	64,525	394	64,919
Contracts payable	129,200	6,593	135,793
Payroll deductions payable	31,284	821	32,105
Retainage payable	86,587		86,587
Prepaid meals		1,266	1,266
<b>Noncurrent liabilities due in one year:</b>			
Leave payable	7,251		7,251
2012 Limited Tax GO Certificates	160,000		160,000
<b>Total current liabilities</b>	<b>478,847</b>	<b>9,074</b>	<b>487,921</b>
<b>Noncurrent liabilities:</b>			
2012 Limited Tax GO Certificates	3,135,000		3,135,000
<b>Total noncurrent liabilities</b>	<b>3,135,000</b>	<b>0</b>	<b>3,135,000</b>
<b>Total liabilities</b>	<b>3,613,847</b>	<b>9,074</b>	<b>3,622,921</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Taxes levied for a future period	966,166		966,166
Pension related deferred inflows	472,387	14,259	486,646
<b>Total deferred inflow of resources</b>	<b>1,438,553</b>	<b>14,259</b>	<b>1,452,812</b>
<b>NET POSITION</b>			
Net invested in capital assets	2,516,195	411	2,516,606
<b>Restricted for:</b>			
Capital outlay	1,091,544		1,091,544
Special education	384,351		384,351
Pension	48,844		48,844
SDRS pension purposes	298,809	9,019	307,828
Unrestricted	1,688,022	10,960	1,698,982
<b>Total net position</b>	<b>6,027,765</b>	<b>20,390</b>	<b>6,048,155</b>

See accompanying notes.



SELBY AREA SCHOOL DISTRICT NO. 62-5

BALANCE SHEET -- GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Building Fund	Total Governmental Funds
<b>ASSETS</b>						
Cash	347,559	1,136,421	389,693	48,693	11,127	1,933,493
Certificates of deposit	1,469,692					1,469,692
Advanced payments to Trust & Agency	3,500					3,500
Receivables:						
Property taxes - current	465,983	402,323	89,047	8,813		966,166
Property taxes - delinquent	7,679	2,881	1,646	150		12,356
Due from other governments	91,432	44	14	1		91,491
Accounts	3,023					3,023
Inventory of supplies	18,053					18,053
<b>Total assets</b>	<b>2,406,921</b>	<b>1,541,669</b>	<b>480,400</b>	<b>57,657</b>	<b>11,127</b>	<b>4,497,774</b>
<b>LIABILITIES</b>						
Accounts payable	9,721	47,802	7,002			64,525
Contracts payable	129,200					129,200
Payroll deductions payable	31,284					31,284
Retainage payable					86,587	86,587
<b>Total liabilities</b>	<b>170,205</b>	<b>47,802</b>	<b>7,002</b>	<b>0</b>	<b>86,587</b>	<b>311,596</b>
<b>DEFERRED INFLOW OF RESOURCES</b>						
Taxes levied for a future period	465,983	402,323	89,047	8,813		966,166
Unavailable revenue:						
Property taxes - delinquent	7,679	2,881	1,646	150		12,356
<b>Total deferred inflow of resources</b>	<b>473,662</b>	<b>405,204</b>	<b>90,693</b>	<b>8,963</b>	<b>0</b>	<b>978,522</b>
<b>FUND BALANCE</b>						
Nonspendable	18,053					18,053
Restricted		1,088,663	382,705	48,694		1,520,062
Committed						0
Assigned	487,021					487,021
Unassigned	1,257,980				(75,460)	1,182,520
<b>Total fund balances</b>	<b>1,763,054</b>	<b>1,088,663</b>	<b>382,705</b>	<b>48,694</b>	<b>(75,460)</b>	<b>3,207,656</b>
<b>Total liabilities, deferred inflow of resources and fund balance</b>	<b>2,406,921</b>	<b>1,541,669</b>	<b>480,400</b>	<b>57,657</b>	<b>11,127</b>	<b>4,497,774</b>

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

Total fund balance - governmental funds (above) 3,207,656

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

Capital assets used in governmental activities are not financial resources and therefore not reported as assets in governmental funds. Therefore:  
 Add the cost of capital assets 8,404,212  
 Subtract the associated accumulated depreciation (2,593,017)

These pension related amounts are not an available financial resource and therefore are not reported in the funds.  
 Net pension assets 407,874  
 Deferred outflow of resources 363,322  
 Deferred inflow of resources (472,387)

Long-term liabilities are not due and payable in the current period. Therefore, subtract the following long-term liabilities:  
 Accrued leave (7,251)  
 2012 Limited Tax GO Certificates (3,295,000)

Assets such as taxes receivable (delinquent) are not available to pay of current period expenditures and therefore are deferred in the funds. 12,356

Total net position on government-wide statement of net position 6,027,765

See accompanying notes.

SELBY AREA SCHOOL DISTRICT NO. 62-5

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

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Building Fund	Total Governmental Funds
<b>Revenue:</b>						
<b>Revenue from local sources:</b>						
<b>Taxes:</b>						
Ad valorem taxes	1,005,122	902,701	226,168	18,084		2,152,075
Prior year ad valorem taxes	5,573	3,214	1,892	80		10,759
Penalties and interest	2,031	1,025	616	26		3,698
Gross receipts	89,092					89,092
Interest earned	4,435	2,184	1,050	100	7	7,776
<b>Cocurricular activities:</b>						
Admissions	7,040					7,040
Other pupil activity	2,360					2,360
<b>Other revenue from local sources:</b>						
Donations	3,474	20,685			20	24,179
Medicaid reimbursements	2,621		416			3,037
Other	6,121	259				6,380
<b>Total revenue from local sources</b>	<b>1,127,869</b>	<b>930,068</b>	<b>230,142</b>	<b>18,290</b>	<b>27</b>	<b>2,306,396</b>
<b>Revenue from intermediate sources:</b>						
<b>County sources:</b>						
County apportionment	28,503					28,503
<b>Revenue from state sources:</b>						
Unrestricted grants-in-aid	248,183					248,183
Restricted grants-in-aid	2,375					2,375
<b>Revenue from federal sources:</b>						
Restricted grants-in-aid	86,675		48,591			135,266
<b>Total revenues</b>	<b>1,493,605</b>	<b>930,068</b>	<b>278,733</b>	<b>18,290</b>	<b>27</b>	<b>2,720,723</b>
<b>Expenditures:</b>						
<b>Instruction:</b>						
<b>Regular programs:</b>						
Elementary school	431,337	3,858				435,195
Middle school	137,954					137,954
High school	300,353	29,076				329,429
Preschool	24,231					24,231
<b>Special programs:</b>						
Programs for special educ.			145,077			145,077
Educ. deprived (Title I)	52,819					52,819
<b>Total instruction</b>	<b>946,694</b>	<b>32,934</b>	<b>145,077</b>	<b>0</b>	<b>0</b>	<b>1,124,705</b>
<b>Support services:</b>						
<b>Pupils:</b>						
Guidance	1,600					1,600
Health	640					640
Special education			96,805			96,805
<b>Instruction:</b>						
Title I	2,375					2,375
Educational media	21,358	2,711				24,069
Technology in school	15,932	9,355				25,287
<b>General administration:</b>						
Board of Education	23,708	2,829				26,537
Executive administration	84,556					84,556
<b>School administration:</b>						
Office of principal	74,878					74,878
Other	1,213					1,213
<b>Business:</b>						
Fiscal services	78,321	6,554				84,875
Operations and maintenance	246,986	7,025				254,011
Pupil transportation	194,923	10,000				204,923
Special education administration			36,989			36,989
<b>Total support services</b>	<b>746,490</b>	<b>38,474</b>	<b>133,794</b>	<b>0</b>	<b>0</b>	<b>918,758</b>

(continued)

SELBY AREA SCHOOL DISTRICT NO. 62-5

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

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Building Fund	Total Governmental Funds
Nonprogrammed charges:						
Early retirement				4,423		4,423
Total nonprogrammed charges	0	0	0	4,423	0	4,423
Debt service:						
2012 GO Certificates:						
Principal		155,000				155,000
Interest and fees		67,978				67,978
Total debt service	0	222,978	0	0	0	222,978
Cocurricular activities:						
Male activities	16,472					16,472
Female activities	13,033					13,033
Transportation	11,916					11,916
Combined activities	25,572	1,334				26,906
Total cocurricular services	66,993	1,334	0	0	0	68,327
Capital outlay:		109,715			143,242	252,957
Total expenditures	1,760,177	405,435	278,871	4,423	143,242	2,592,148
Excess of revenues over (under) expenditures	(266,572)	524,633	(138)	13,867	(143,215)	128,575
Other financing sources (uses):						
Transfer in	3,334				154,342	157,676
Transfer (out)	(21,100)	(155,426)	(1,050)	(100)		(177,676)
Sale of surplus property		1,654				1,654
Net change in fund balance	(284,338)	370,861	(1,188)	13,767	11,127	110,229
Fund balance:						
July 1, 2014	2,047,392	717,802	383,893	34,927	(86,587)	3,097,427
June 30, 2015	1,763,054	1,088,663	382,705	48,694	(75,460)	3,207,656

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

Net change in fund balances - total governmental funds (above) 110,229

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

Add the cost of: Building improvements 252,957  
Subtract: Depreciation taken on all capital assets (211,632)

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

Subtract prior year delinquent taxes (9,921)  
Add current year delinquent taxes 12,356

Revenues and reductions of expenses related to pensions do not provide current financial resources and, therefore, are not reported in the funds 3,177

Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Therefore:

Add current year payments on:  
    2012 Limited Tax GO Certificates 155,000  
    Accrued leave 7,214  
    Early retirement 4,434  
Subtract current year additions to:  
    Accrued leave (7,251)

Change in net position on government-wide statement of activities 316,548

See accompanying notes.

SELBY AREA SCHOOL DISTRICT NO. 62-5

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

	Food Service Fund	Driver's Education Fund	Total Enterprise Funds
	-----	-----	-----
<b>Assets:</b>			
<b>Current assets:</b>			
Cash	6,443	2,275	8,718
Inventory - supplies	806		806
Inventory - purchased goods	3,102		3,102
Inventory - commodities (donated)	7,408		7,408
<b>Capital assets:</b>			
Equipment	27,760		27,760
Accumulated depreciation	(27,349)		(27,349)
<b>Other assets:</b>			
Net pension assets	12,311		12,311
<b>Total assets</b>	<b>30,481</b>	<b>2,275</b>	<b>32,756</b>
	=====	=====	=====
<b>DEFERRED OUTFLOW OF RESORCES</b>			
Pension related deferred outflows	10,967		10,967
<b>Total deferred outflow of resources</b>	<b>10,967</b>	<b>0</b>	<b>10,967</b>
	=====	=====	=====
<b>Current liabilities:</b>			
Accounts payable	82	312	394
Contracts payable	3,083	3,510	6,593
Payroll deductions payable	821		821
Prepaid meals	1,266		1,266
<b>Total liabilities</b>	<b>5,252</b>	<b>3,822</b>	<b>9,074</b>
	=====	=====	=====
<b>DEFERRED INFLOW OF RESOURCES:</b>			
Pension related deferred inflows	14,259		14,259
<b>Total deferred inflow of resources</b>	<b>14,259</b>	<b>0</b>	<b>14,259</b>
	=====	=====	=====
<b>Net position:</b>			
Net invested in capital assets	411		411
Restricted for SDRS pension purposes	9,019		9,019
Unrestricted	12,507	(1,547)	10,960
<b>Total net position</b>	<b>21,937</b>	<b>(1,547)</b>	<b>20,390</b>
	=====	=====	=====
See accompanying notes.			

SELBY AREA SCHOOL DISTRICT NO. 62-5

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

	Food Service Fund	Driver's Education Fund	Total Enterprise Funds
	-----	-----	-----
Operating revenue:			
Sales to pupils	66,140	2,275	68,415
Sales to adults	3,678		3,678
Other sales	741		741
	-----	-----	-----
Total operating revenue	70,559	2,275	72,834
	-----	-----	-----
Operating expense:			
Salaries	50,495	3,510	54,005
Employee benefits	6,644		6,644
Purchased services	476		476
Supplies	1,348	312	1,660
Cost of sales:			
Purchased food	53,449		53,449
Donated food	1,293		1,293
Depreciation	411		411
	-----	-----	-----
Total operating expenses	114,116	3,822	117,938
	-----	-----	-----
Operating income (loss)	(43,557)	(1,547)	(45,104)
Nonoperating revenue (expense):			
Pension related	95		95
State source:			
Cash reimbursement	597		597
Federal source:			
Cash reimbursement - breakfast	4,786		4,786
Cash reimbursement - lunch	23,009		23,009
Donated food	7,656		7,656
	-----	-----	-----
Total nonoperating revenue (expense)	36,143	0	36,143
	-----	-----	-----
Income (loss) before transfers	(7,414)	(1,547)	(8,961)
Transfer in	20,000		20,000
	-----	-----	-----
Change in net position	12,586	(1,547)	11,039
Net position: July 1, 2014	427	0	427
Restatement for pension accounting:			
Pension net assets at 6-30-2014	7,131		7,131
Deferred outflow of resources related to contributions made during FY14	1,793		1,793
	-----	-----	-----
Net position: July 1, 2014, adjusted	9,351	0	9,351
	-----	-----	-----
Net position: June 30, 2015	21,937	(1,547)	20,390
	=====	=====	=====

See accompanying notes.

SELBY AREA SCHOOL DISTRICT NO. 62-5

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

	Food Service Fund	Driver's Education Fund	Total Enterprise Funds
	-----	-----	-----
Cash flows from:			
Operating activities:			
Receipts from customers	70,388	2,325	72,713
Cash paid for employees	(54,514)	(3,510)	(58,024)
Payments to suppliers	(56,117)	3,355	(52,762)
Net cash provided (used) by operating activities	----- (40,243)	----- 2,170	----- (38,073)
Noncapital financing activities:			
Due to general fund	(1,756)		(1,756)
Transfer in from general	20,000		20,000
Grant cash reimbursements, state	597		597
Grant cash reimbursements, federal	27,795		27,795
Capital financing activities:			
None	0	0	0
Investing activities:			
None	0	0	0
Net increase (decrease) in cash and cash equivalents	----- 6,393	----- 2,170	----- 8,563
Cash and cash equivalents:			
July 1, 2014	50	105	155
June 30, 2015	----- 6,443 =====	----- 2,275 =====	----- 8,718 =====
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	(43,557)	(1,547)	(45,104)
Value of donated commodities used	1,293		1,293
Depreciation	411		411
Change in operating accounts:			
Accounts receivable		50	50
Inventory - supplies	196		196
Inventory - purchased	(1,122)		(1,122)
Accounts payable	82	3,667	3,749
Contracts payable	2,301		2,301
Benefits payable	324		324
Prepaid meals	(171)		(171)
Net cash provided (used) by operating activities	----- (40,243) =====	----- 2,170 =====	----- (38,073) =====
Noncash investing, capital and financing activities:			
Value of donated commodities received	7,656		7,656
Pension related revenue	95		95

See accompanying notes.

SELBY AREA SCHOOL DISTRICT NO. 62-5

STATEMENT OF FIDUCIARY NET POSITION  
AS OF JUNE 30, 2015

	Private Purpose Trusts (Scholarships)	Agency Funds
	-----	-----
Assets:		
Cash	2,610	47,914
Receivable		709
	-----	-----
Total assets	2,610	48,623
	=====	=====
Liabilities:		
Due to general fund - advance		3,500
Amounts held for others		45,123
	-----	-----
Total liabilities	0	48,623
	=====	=====
Net position:		
Held in trust for scholarships	2,610	
	-----	-----
Total net position	2,610	NA
	=====	=====

SELBY AREA SCHOOL DISTRICT NO. 62-5

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDING JUNE 30, 2015

	Private Purpose Trust (Scholarships)
	-----
Additions:	
Donations	1,000
	-----
Total additions	1,000
	-----
Deductions:	
Scholarships	1,000
	-----
Total deductions	1,000
	-----
Change in net position	0
Net Position:	
July 1, 2014	2,610
	-----
June 30, 2015	2,610
	=====

See accompanying notes.

SELBY AREA SCHOOL DISTRICT NO. 62-5  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity:

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

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

Board Members:	Superintendent:
Tim Zabel, Chairman	Darrel McFarland
Brian Begeman	
Tom Fiedler	Business Manager:
Spencer Gosch	Barbara Raba
Christine Sawinsky	
Pat Starks	Attorney:
Steve Zable	Von Wald Law Offices

The reporting entity of the School District consists of (1) the primary government, which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity; (2) those organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the School District (the primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District unless that organization can, without the approval of the School District: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

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

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

b. Basis of Presentation:

*Government-wide Financial Statements:*

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

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

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

*Fund Financial Statements:*

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

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

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

Governmental Funds

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

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

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

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

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

*Capital Project Fund Type - capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise funds and trust funds for individuals, private organizations, or other governments).*

Building fund - A fund established by the School District in FY13 to account for costs related to replacing the high school and adding an auxiliary gym. In FY13 the fund issued \$3,450,000 of 2012 Limited Tax General Obligation Certificates to pay for the construction. This fund is a major fund.

#### Enterprise Funds

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

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

Driver's education fund - a fund used to record financial transactions related to the School District's driver's education operations. This fund is financed by user charges and School District contributions and is a major fund.

#### Fiduciary Funds

Fiduciary are never considered to be major funds.

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

Agency fund type - agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature, they do not involve the measurement of results of operations. The School District maintains agency funds to hold assets in a trustee capacity for various classes, clubs, etc.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus

*Government-wide Financial Statements:*

Both governmental and business-type activities are presented using the "economic resources" measurement focus, applied on the accrual basis of accounting.

The "economic resources" measurement focus includes all assets and liabilities (whether current or noncurrent, financial, or nonfinancial) on the balance sheet. Operating statements use the flow of all economic resources to present operating income, changes in net position, and cash flows during the accounting period. This measurement focus uses the term "net position" to describe its equity at the end of the accounting period.

*Fund Financial Statements:*

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

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

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

Basis of Accounting

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

In the fund financial statements, all governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The School District's availability period accruing and recording revenues is 60 days. The revenues which are accrued at June 30, 2015 are grants and other accounts receivable.

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

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due. However, the Selby Area School District budgets for, and makes payment of, debt obligations (if any) due on July 1st as of June 30th, the end of the School District's fiscal year.

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

d. Interfund Eliminations and Reclassifications:

*Government-wide Financial Statements:*

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

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

*Fund Financial Statements:*

In the fund financial statements, noncurrent portions of long-term interfund receivables are reported as Nonspendable Fund Balance to the extent that the proceeds from the collection of those receivables are not Restricted, Committed, or Assigned. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources" and are reported in the appropriate fund balance category.

e. Interfund Transactions:

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

f. Cash and Cash Equivalents:

The School District pools its cash resources for depositing and investing purposes. Accordingly, enterprise funds have access to their cash resources on demand and consequently all enterprise fund deposits and investment balances are considered to be cash equivalents for the purposes of the statement of cash flows.

g. Capital Assets and Infrastructure assets:

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

*Government-wide Financial Statements:*

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

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

The total June 30, 2015 balance of capital assets for governmental activities include approximately 25% for which the costs were determined by estimates of the original costs. The total June 30, 2015 balance of capital assets for business-type activities includes approximately 60% for which the costs were determined by estimates of the original costs. The estimated original costs were established by appraisals or deflated current replacement cost.

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide statement of activities and the enterprise fund statement of revenue, expenses and changes in fund net position. Accumulated depreciation is reported on the government-wide statement of net position and on the enterprise fund's statement of net position. See also page 36.

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

	Capitalization Threshold	Depreciation Method	Estimated Life in Years
	-----	-----	-----
Land	All	N/A	N/A
Buildings/structures	25,500	Straight-line	50
Improvements	25,500	Straight-line	20
Equipment	2,500	Straight-line	5-15
Equipment - food service	2,500	Straight-line	15

Land is an inexhaustible capital asset and is not depreciated.

*Fund Financial Statements:*

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

h. Long-term Liabilities:

*Government-wide Financial Statements:*

In the government-wide financial statement, all long-term liabilities to be repaid from governmental or business-type resources are reported as liabilities. Long-term liabilities consist of the 2012 Limited Tax General Obligation Certificates and accrued leave obligations.

*Fund Financial Statements:*

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

i. Accrued Leave:

Accrued leave is for sick leave. It is earned at 10 hours per year and a maximum of 59 hours can be carried over to the next year. The financial statements do give effect to this liability.

j. Program Revenues and General Revenues:

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

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

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

k. Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of 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 until the applicable future period.

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 a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

l. Enterprise Fund Revenue and Expense Classifications:

In the government-wide and fund financial statements, enterprise revenues and expenses are classified in a manner consistent with how they are classified in the statement of cash flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

m. Equity Classifications:

*Government-wide Financial Statements:*

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

1. Net Invested in Capital Assets - Consist of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any capital outlay certificate payable, capitalized leases payable, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2. Restricted Net Position - Consist of net position with constraints placed on their use either by (a) external groups such as creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - All other net position that does not meet the criteria of "Net Invested in Capital Assets" or "Restricted Net Position".

*Fund Financial Statements:*

Governmental fund equity is classified as "Fund Balance", and may distinguish between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements. Fiduciary fund equity (except for agency funds, which have no fund equity) is reported as "Net Position" held in trust for a purpose.

n. Fund Balance Classification Policies and Procedures:

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

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

Selby Area School District fund balance classifications are made up of:

<u>Fund Balance</u> <u>Classifications</u>	<u>Account</u> <u>or Fund</u>	<u>Authority</u> <u>or Action</u>	<u>Amount</u>
Nonspendable	Inventory		18,053
Restricted	Capital Outlay	Statute	1,088,663
	Special Education	Statute	382,705
	Pension	Statute	48,694
Committed			0
Assigned	General	Next Year's Budget	487,021
Unassigned	Building	Contract	(75,460)
	General		1,257,980
			-----
			3,207,656

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

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

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

Major Special Revenue Fund	Revenue Source (see page 12 and 13)
* Capital Outlay	Property taxes
* Special Education	Property taxes, Medicaid services reimbursements, and federal grants
* Pension	Property taxes

o. 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 which can be charged to either restricted or unrestricted net position.

p. Allowance for Doubtful Accounts:

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

q. Accounting Estimates:

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

- \* Allowance for doubtful accounts - estimated uncollectables
- \* Inventory - estimated fair market value
- \* Depreciation - estimated cost of certain assets and service lives
- \* SDRS Pension - actuarial assumptions

2. DEPOSITS, INVESTMENTS AND RISK

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

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

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

Actual bank balances at June 30, 2015 were as follows: Insured \$323,009, Collateralized \*\* \$3,139,797, for a total of \$3,462,806.

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

The carrying amount of these deposits at June 30, 2015 was \$3,461,427, which equals \$3,411,903 on the government-wide statement of net position plus \$50,524 on the fiduciary funds statement less \$1,000 of petty cash.

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

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

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

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

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

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

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

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the general fund or the fund making the investment. The School District's policy is to credit all income from deposits and investments to the general fund. U.S.GAAP requires income from deposits and investments to be reported in the fund whose assets generated the income. Where the governing board has discretion to credit investment income (if any) 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 (if any) 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 transfers are not violations of the statutory restrictions on interfund transfers.

### 3. RECEIVABLES AND PAYABLES

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

### 4. DUE FROM OTHER GOVERNMENTS

At June 30, 2015 amounts due from other governments was electric gross receipts tax due from Walworth County of \$47,675, electric gross receipts tax due from Campbell County of \$5,402, a telephone gross receipts tax due from the state of \$38,355, and miscellaneous amounts of \$59 for a total of \$91,491.

5. INVENTORY

*Government-wide Statements: (consumption method)*

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

Donated items are valued at estimated market value at the date of receipt. The cost valuation method is first-in first-out. Inventory at June 30, 2015 is estimated to be \$18,053 primarily for fuel oil and maintenance supplies in the general fund and \$11,316 primarily for food in the food service fund.

*Fund Financial Statements: (consumption method)*

In the fund financial statements inventory of supplies and small tools are recorded as assets when purchased and charged to expenditure/expense when they are consumed. Reported governmental inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

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

6. CHANGES IN CAPITAL ASSETS (see schedule one, page 36)

A summary of changes in capital assets for the fiscal year ending June 30, 2015 is found on schedule one at the end of these footnotes.

7. CHANGES IN LONG-DEBT (see schedule two, page 37)

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

8. RESTRICTED NET POSITION

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

Fund	Restricted by	Governmental Activities Amount	Business-type Activities Amount
Capital outlay	Law	\$ 1,091,556	
Special education	Law	384,434	
Pension	Law	48,765	
SDRS pension:			
General	Contract	298,809	
Food service	Contract		\$ 9,019
		-----	-----
Total restricted net position		\$ 1,823,564	\$ 9,019

9. DEFICIT FUND BALANCES:

At June 30, 2015 the building fund had a deficit fund balance of \$75,460. This deficit will be corrected when retainage related to the construction of the high school and auxiliary gym is paid.

10. INTERFUND TRANSFERS

Net transfers "in" and "(out)" between funds are:

	Governmental	Enterprise	Purpose
General	3,334		Interest transfer
General	(1,100)		Correct building fund entry
General	(20,000)		Operations
Capital outlay	(2,184)		Interest transfer
Capital outlay	(153,252)		Construction
Special education	(1,050)		Interest transfer
Pension	(100)		Interest transfer
Building	1,100		Correct building fund entry
Building	153,252		Construction
Food service		20,000	Operations
	-----	-----	
	(20,000)	20,000	

11. ADOPTION OF NEW ACCOUNTING STANDARD - PRIOR PERIOD ADJUSTMENTS

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

	Governmental	Business-Type
July 1, 2014 Net Position, as previously reported	\$ 5,415,571	\$ 427
Restatement for pension accounting:		
Net pension assets	236,246	7,131
Deferred outflow of resources related to contribu-		
tions made during the year ended June 30, 2014	59,400	1,793
	-----	-----
July 1, 2014 Net Position, as restated	\$ 5,711,217	\$ 9,351

12. PENSION PLAN

Summary of Significant Accounting Policies:

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

Plan Description:

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

Benefits Provided:

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

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

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

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

Contributions:

Per SDRS 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the years ending June 30, 2015, 2014, and 2013 were \$63,849, \$61,193, and \$59,147 (employer's share) respectively, equal to the required contribution each year.

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflow of Resources and Deferred Inflow of Resources to Pensions:

At June 30, 2014, SDRS is 107.3% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of the South Dakota Retirement System for the School District as of the measurement period ending June 30, 2014 and reported by the School District as of June 30, 2015 are as follows:

Proportionate share of SDRS net position	
restricted for pension benefits	\$ 6,186,527
Less: proportionate share of total pension liability	5,766,342
	-----
Proportionate share of net pension liability (asset)	\$ (420,185)

At June 30, 2015 the School District reported a liability (asset) of \$(420,185) for its proportionate share of the net pension liability (asset). The net pension asset was measured as of June 30, 2014 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School District's share of contribution to the pension plan relative to the contributions of all participating entities. At June 30, 2014 the School District's proportion was .000583219.

For the year ended June 30, 2015 the School District recognized pension expense (revenue) of \$(3,258).

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 35,553	
Change in assumptions	274,285	
Net difference between projected and actual earnings on pension plan investments	0	\$ 486,646
Changes in proportion and difference between School District contributions and proportionate share of contributions	852	
School District contributions subsequent to the measurement date	63,599	
	-----	-----
	\$ 374,289	\$ 486,646
	( 63,599)	
	(486,646)	
	-----	
To be amortized over 4 years	\$ (175,956)	
	=====	

There is \$63,599 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ending June 30, 2016	\$ (33,228)
June 30, 2017	(33,228)
June 30, 2018	(33,227)
June 30, 2019	(76,273)
	-----
	\$ (175,956)
	=====

Actuarial Assumptions:

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

Inflation	3.25%
Salary increases	5.83% at entry to 3.87% after 30 years of service
Discount rate	7.25% through 2016 and 7.50% thereafter, net of pension plan investment expense

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period of July 1, 2005 to June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

Investments:

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	61.0%	4.5%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.2%
Cash	2.0%	0.8%
	-----	
	100.0%	

Discount Rate:

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

Sensitivity of Asset to Changes in the Discount Rate:

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

	1% Decrease	Current Discount Rate	1% Increase
School District's share of SDRS net pension liability (asset)	\$ 415,222 liability	\$ (420,185) asset	\$ (1,101,548) asset

Pension Plan Fiduciary Net Position:

Detailed information about the plan's fiduciary net position is available in the separately issued South Dakota Retirement System financial report.

13. EMPLOYEE BENEFIT PLAN

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

14. PROPERTY TAXES

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

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

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

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

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

15. JOINT VENTURE

Oahe Special Education Cooperative  
P.O. Box 97, Java, South Dakota 57452  
605.649.6296

The School participates in Northeast Educational Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education and other services to member school districts. At June 30, 2015, the School's percentage of participation in the co-op is 1/7th, the same as the other school districts in the coop.

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

Separate financial statements of the co-op are available at its business office at P.O. Box 97, Java, South Dakota 57452. At June 30, 2015 this co-op had total UNAUDITED fund equity of \$311,038 and no long-term debt.

#### 16. RISK MANAGEMENT

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

##### Health:

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

##### Life:

The School District provides its teachers and full-time employees with \$10,000 of life insurance coverage through South Dakota Benefits Funds.

##### Liability:

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

##### Workmen's Compensation:

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool (Fund), which provides workers' compensation insurance coverage for participating members of the pool.

The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospective rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members.

The school district may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs.

The pool provides loss coverage to all participants, through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$1,000,000 per individual per incident.

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

##### Unemployment Benefits:

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

## 17. OTHER DISCLOSURES

At June 30, 2015 the School District was a party to litigation. No determination can be made at this time regarding the potential outcome of this matter. However, as discussed in the risk management note above, the School District has liability coverage for itself and its employees through a commercial carrier. Therefore, this litigation is not expected to have a potential material effect on the School District's financial statements.

In September 2015 the School District purchased a 14 passenger school bus for \$46,502.

In September 2015 the School District completed concrete work for Elementary and AG building sidewalks for \$63,189.

SELBY AREA SCHOOL DISTRICT NO. 62-5

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

	Beginning 6-30-14	Adjustments	Additions	(Deletions)	Ending 6-30-15	Accumulated Depreciation 6-30-14	Adjustments	(Additions)	Deletions	Accumulated Depreciation 6-30-15	Remaining Cost 6-30-15
<b>General capital assets:</b>											
Land	68,900				68,900						68,900
Buildings	2,334,745	1	4,313,226		6,647,972	(1,378,679)		(122,919)		(1,501,598)	5,146,374
Improvements	521,740				521,740	(215,623)		(26,665)		(242,288)	279,452
Equipment	539,926				539,926	(388,653)		(23,818)		(412,471)	127,455
Equipment - vehicles	625,674				625,674	(398,430)		(38,230)		(436,660)	189,014
Construction-in-progress (1)	4,060,270			(4,060,270)	0	0				0	0
<b>Totals</b>	<b>8,151,255</b>	<b>1</b>	<b>4,313,226</b>	<b>(4,060,270)</b>	<b>8,404,212</b>	<b>(2,381,385)</b>	<b>0</b>	<b>(211,632)</b>	<b>0</b>	<b>(2,593,017)</b>	<b>5,811,195</b>

Notes:

1. Replacing high school and adding auxiliary gym

Governmental depreciation  
 is allocated as follows:

Instruction	75,476
Support	134,716
Co-curricular	1,440
	<u>211,632</u>

Enterprise fund:  
 Food service fund:

Equipment	27,760				27,760	(26,937)	(1)	(411)		(27,349)	411
<b>Totals</b>	<b>27,760</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27,760</b>	<b>(26,937)</b>	<b>(1)</b>	<b>(411)</b>	<b>0</b>	<b>(27,349)</b>	<b>411</b>

SELBY AREA SCHOOL DISTRICT NO. 62-5

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

	Beginning 6-30-14 -----	Additions -----	(Deletions) -----	Governmental Ending 6-30-15 -----	Principal Due in FY16 -----
<b>GOVERNMENTAL</b>					
2012 Limited Tax General Obligation Certificates:					
Total amount of \$3,450,000					
Maturing 12-15-2032					
Interest from 1.0% to 2.7%					
First semi-annual interest payment: 6-15-2013					
Purpose - Construct new facilities					
- Rehabilitate existing facilities					
Callable on December 15, 2020					
Paid by the capital outlay fund	3,450,000		(155,000)	3,295,000	160,000
Early Retirement	4,434		(4,434)	0	0
Accrued leave liability	7,214	7,251	(7,214)	7,251	7,251
	-----	-----	-----	-----	-----
	3,461,648	7,251	(166,648)	3,302,251	167,251
	=====	=====	=====	=====	=====
Remaining Payment Schedule					
as of June 30, 2015	Total Payment -----	Principal -----	Interest -----	Remaining Balance -----	
2012 Limited Tax General Obligation Certificates:					
6-30-16	225,402	160,000	65,402	3,135,000	
6-30-17	223,803	160,000	63,803	2,975,000	
6-30-18	222,202	160,000	62,202	2,815,000	
6-30-19	225,495	165,000	60,495	2,650,000	
6-30-20	223,515	165,000	58,515	2,485,000	
FY21-FY25	1,113,620	865,000	248,620	1,620,000	
FY26-FY30	1,120,899	975,000	145,899	645,000	
FY31-FY33	670,913	645,000	25,913	0	
	-----	-----	-----	-----	
	4,025,849	3,295,000	730,849		
	=====	=====	=====		

SELBY AREA SCHOOL DISTRICT NO. 62-5  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING JUNE 30, 2015

GENERAL FUND	Budgeted Amounts				Variance Positive (Negative)	
	Original	Contingency Transfers	Supplementals	Final		Actual
Revenues:						
Local Sources:						
Taxes:						
Ad valorem taxes	934,022			934,022	1,012,726	78,704
Gross receipts	107,000			107,000	89,092	(17,908)
Interest earned	7,700			7,700	4,435	(3,265)
Curricular activities:						
Admissions	7,500			7,500	7,040	(460)
Other pupil activity	2,400			2,400	2,360	(40)
Other revenue from local sources:						
Donations	250			250	3,474	3,224
Medical reimbursements	8,000			8,000	2,621	(5,379)
Other	3,300			3,300	6,121	2,821
Intermediate sources:						
County apportionment	25,000			25,000	28,503	3,503
Payments in lieu of taxes	600			600		(600)
State sources:						
State aid, unrestricted	315,287			315,287	248,183	(67,104)
State aid, restricted				0	2,375	2,375
Federal sources:						
Restricted grants-in-aid	84,626			84,626	86,675	2,049
Total revenues	1,495,685	0	0	1,495,685	1,493,605	(2,080)
Expenditures:						
Instruction:						
Regular programs:						
Elementary school	456,572			456,572	431,337	25,235
Middle school	143,174			143,174	137,954	5,220
High school	311,550			311,550	300,353	11,197
Preschool	23,394			23,394	24,231	(837)
Special programs:						
Educ. deprived (Title I)	51,825			51,825	52,819	(994)
Support services:						
Pupils:						
Guidance	2,164			2,164	1,600	564
Health	900			900	640	260
Instruction:						
Title I				0	2,375	(2,375)
Educational media	23,297			23,297	21,358	1,939
Technology in school	22,395			22,395	15,932	6,463
General administration:						
Board of Education	30,752			30,752	23,708	7,044
Executive administration	84,955			84,955	84,556	399
School administration:						
Office of principal	75,255			75,255	74,878	377
Other	1,937			1,937	1,213	724
Business:						
Fiscal services	82,499			82,499	78,321	4,178
Operations and maintenance	288,029			288,029	246,986	41,043
Pupil transportation	218,156			218,156	194,923	23,233
Curricular activities:						
Male activities	18,333			18,333	16,472	1,861
Female activities	15,584			15,584	13,033	2,551
Transportation	30,156			30,156	11,916	18,240
Combined activities	32,342			32,342	25,572	6,770
Contingencies	80,000			80,000		80,000
Amount transferred		(20,000)		(20,000)		(20,000)
Total expenditures	1,993,269	(20,000)	0	1,973,269	1,760,177	213,092
Other sources and (uses):						
Transfer in	2,500			2,500	3,334	834
Transfer (out)	(2,841)	(20,000)		(22,841)	(21,100)	1,741
Net change in fund balance	(497,925)	0	0	(497,925)	(284,338)	(212,597)
Fund balance:						
July 1, 2014	2,047,392			2,047,392	2,047,392	0
June 30, 2015	1,549,467	0	0	1,549,467	1,763,054	(212,597)

SELBY AREA SCHOOL DISTRICT NO. 62-5

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

CAPITAL OUTLAY FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenues:					
Local Sources:					
Taxes:					
Ad valorem taxes	744,296		744,296	906,940	162,644
Interest earned	1,200		1,200	2,184	984
Other revenue from local sources:					
Donations	500		500	20,685	20,185
Other			0	259	259
Total revenues	745,996	0	745,996	930,068	184,072
Expenditures:					
Instruction:					
Regular programs:					
Elementary school	14,000		14,000	3,858	10,142
Middle school	2,000		2,000		2,000
High school	29,700		29,700	29,076	624
Support services:					
Instruction:					
Educational media	6,000		6,000	2,711	3,289
Technology in school	13,500		13,500	9,355	4,145
General administration:					
Board of Education	3,000		3,000	2,829	171
Business:					
Fiscal services	8,000		8,000	6,554	1,446
Facilities acqui. and const	142,200	5,000	147,200	109,715	37,485
Operation and maintenance		3,000	3,000	7,025	(4,025)
Pupil transportation	10,000		10,000	10,000	0
Debt service:	223,478		223,478	222,978	500
Cocurricular activities	1,500		1,500	1,334	166
Total expenditures	453,378	8,000	461,378	405,435	55,943
Other financial sources (uses):					
Transfer (out)	(401,200)		(401,200)	(155,426)	245,774
Sale of surplus property			0	1,654	1,654
Net change in fund balance	(108,582)	(8,000)	(116,582)	370,861	375,557
Fund balance:					
July 1, 2014	717,802		717,802	717,802	0
June 30, 2015	609,220	(8,000)	601,220	1,088,663	375,557

SELBY AREA SCHOOL DISTRICT NO. 62-5

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

SPECIAL EDUCATION FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenues:					
Local Sources:					
Taxes:					
Ad valorem taxes	228,800		228,800	228,676	(124)
Interest earned	1,000		1,000	1,050	50
Medicaid reimbursement	1,200		1,200	416	(784)
State sources:					
Restricted grants-in-aid			0		0
Federal sources:					
Restricted grants-in-aid	49,531		49,531	48,591	(940)
Total revenues	280,531	0	280,531	278,733	(1,798)
Expenditures:					
Instruction:					
Special programs:					
Special education	159,857		159,857	145,077	14,780
Support services:					
Special education:					
Pupils	115,396	3,000	118,396	96,805	21,591
Administration	42,278	900	43,178	36,989	6,189
Total expenditures	317,531	3,900	321,431	278,871	42,560
Other sources and (uses):					
Transfer (out)	(1,000)		(1,000)	(1,050)	(50)
Change in fund balance	(38,000)	(3,900)	(41,900)	(1,188)	40,712
Fund balance:					
July 1, 2014	383,893		383,893	383,893	0
June 30, 2015	345,893	(3,900)	341,993	382,705	40,712

SELBY AREA SCHOOL DISTRICT NO. 62-5

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

PENSION FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenues:					
Local Sources:					
Taxes:					
Ad valorem taxes	17,675		17,675	18,190	515
Interest earned	300		300	100	(200)
Total revenues	17,975	0	17,975	18,290	315
Expenditures:					
Nonprogram charges:					
Early retirement	4,425		4,425	4,423	2
Total expenditures	4,425	0	4,425	4,423	2
Other sources and (uses):					
Transfer (out)	(300)		(300)	(100)	200
Change in fund balance	13,250	0	13,250	13,767	517
Fund balance:					
July 1, 2014	34,927		34,927	34,927	0
June 30, 2015	48,177	0	48,177	48,694	517

NOTES TO BUDGETARY COMPARISON SCHEDULES  
JUNE 30, 2015

1. Budgets and Budgetary Accounting:

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

- a. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the school board at the first regular meeting held in May of each year.
- c. The proposed budget is published for public review no later than July 15 of each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
- f. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 1h below.
- g. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
- h. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets, when money is available, to increase legal spending authority. There were supplemental budgets in FY15. See page 39 and 40.
- i. Unexpended appropriations lapse at year end unless encumbered by resolution of the school board. No encumbrances were outstanding at June 30, 2015.
- j. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds. Formal budgetary integration is not employed for debt service funds (if any) because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
- k. Budgets for the general fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. GAAP and Budgetary Accounting Basis Difference:

The financial statements prepared in conformity with U.S.GAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital expenditure on the governmental funds statement of revenues, expenditures and changes in fund balances. However, in the budgetary RSI schedule, the purchase of a school bus would be reported as an expenditure of the support service/business/pupil transportation function of government, along with all other current pupil transportation related expenditures.

SELBY AREA SCHOOL DISTRICT No. 62-5  
FOR THE ONE YEAR ENDING JUNE 30, 2015

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE  
SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION LIABILITY (ASSET)

SDRS Measurement Date Year Ended (1)	School's Percentage of the Net Pension Asset	School's Proportionate Share of Net Pension Liability (Asset)	School's Covered Employee Payroll	School's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	0.0580585%	(246,242)	1,064,154	23.13%	104.1%
June 30, 2014	0.0583219%	(420,185)	1,019,883	41.19%	107.3%

(1) The amounts presented for each fiscal year were determined as of the collective net pension liability (asset) which is 6/30 of the previous fiscal year.

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

SELBY AREA SCHOOL DISTRICT No. 62-5  
FOR THE ONE YEAR ENDING JUNE 30, 2015

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS  
TO THE SOUTH DAKOTA RETIREMENT SYSTEM

SDRS Measurement Date Year Ended (1)	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	School's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
June 30, 2015	63,599	63,849	(250)	1,064,154	6.00%
June 30, 2014	61,193	61,193	0	1,019,883	6.00%

(1) The amounts presented for each fiscal year were determined as of the collective net pension liability (asset) which is 6/30 of the previous fiscal year.

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

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

Governing Board  
Selby Area School District No. 62-5  
Selby, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Selby Area School District (School District), Walworth County, South Dakota, as of June 30, 2015 and for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued my report thereon dated June 14, 2016 which was unmodified.

Compliance and Other Matters

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

The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Selby Area School District's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency*, is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be a material weakness. However, material weaknesses may exist that have not been identified.

I did note minor matters involving internal control that I reported to the governing body and management of the Selby Area School District in a separate Letter of Comments dated June 14, 2016.

Purpose of this Report

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

As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

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

June 14, 2016



SELBY AREA SCHOOL DISTRICT NO. 62-5  
JUNE 30, 2015

SCHEDULE OF PRIOR AUDIT FINDINGS

There were no written prior audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

There are no written current audit findings.