

**SHANNON COUNTY SCHOOL DISTRICT NO. 65-1
OF SHANNON COUNTY**

AUDIT REPORT

FISCAL YEAR JULY 1, 2014 TO JUNE 30, 2015

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

SHANNON COUNTY SCHOOL DISTRICT NO. 65-1
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2015

BOARD MEMBERS:

Andrea Eagle Bull – President
Mike Carlow
Chuck Conroy
Tom Conroy
Todd O'Bryan

ACTING SUPERINTENDENT:

Coy Sasse

BUSINESS MANAGER:

Coy Sasse

Schoenfish & Co., Inc.

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

School Board
Shannon County School District No. 65-1
Batesland, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Shannon County School District No. 65-1, South Dakota (School District), as of June 30, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 20, 2016.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items 2015-001 through 2015-002 to be material weaknesses.

Compliance and Other Matters

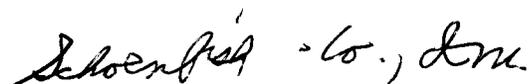
As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

School District's Response to Findings

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

Purpose of this Report

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



Schoenfish & Co., Inc.
Certified Public Accountants
January 20, 2016

Schoenfish & Co., Inc.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

School Board
Shannon County School District No. 65-1
Batesland, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Shannon County School District No. 65-1, South Dakota (School District) compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the ended June 30, 2015. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Shannon County School District No. 65-1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.



Schoenfish & Co., Inc.
 Certified Public Accountants
 January 20, 2016

Schoenfish & Co., Inc.

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SHANNON COUNTY SCHOOL DISTRICT NO. 65-1
SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS

PRIOR FEDERAL AUDIT FINDINGS:

There are no prior federal audit findings to report on.

PRIOR FINANCIAL STATEMENT AUDIT FINDINGS:

Finding Number 2014-001:

Segregation of Duties and Internal Controls – Accounting Functions – Material Weakness:

Internal controls and adequate segregation of duties that provide reasonable assurance that all financial transactions are reviewed and approved before payment is made and reports are generated should be in place. The South Dakota Legislative Audit Accounting Manual, federal regulations and sound business practices all require that appropriate documentation be accumulated to support financial transaction budgets. Internal controls should be implemented to allow timely review and oversight of the programs and so all records can be retained in a manner to facilitate an audit. This comment has not been corrected and is restated as current audit finding number 2015-001.

Finding Number 2014-002:

Account Reconciliation and Analysis – Material Weakness:

An accounting system should provide timely and accurate information for management. The School District's accounting staff should periodically reconcile general ledger accounts to subsidiary ledgers and other supporting documentation. This comment has not been corrected and is restated as current audit finding number 2015-002.

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SHANNON COUNTY SCHOOL DISTRICT NO. 65-1
SCHEDULE OF CURRENT AUDIT FINDINGS
AND QUESTIONED COSTS

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:

Financial Statements:

- a. An unqualified opinion was issued on the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund opinion units.
- b. A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties, internal control weaknesses, inaccurate account reconciliation, lack of capital asset records, and expenditure weaknesses as discussed in finding numbers 2015-001 through 2015-002.
- c. Our audit did not disclose noncompliance which was material to the financial statements.

Federal Awards:

- d. An unqualified opinion was issued on compliance with the requirements applicable to each of the District's major federal programs.
- e. Our audit did not disclose any audit findings that are required to be disclosed in accordance with the office of Management and Budget Circular A-133, Section .510(a).
- f. The federal awards tested as major programs were:

1. Impact Aid	CFDA No. 84.041
2. Title I Grants to Local Education Agencies	CFDA No. 84.010
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$485,079.
- h. Shannon County School District No. 65-1 did not qualify as a low-risk auditee.

CURRENT FEDERAL AUDIT FINDINGS:

There are no written current federal audit findings to report.

CURRENT FINANCIAL STATEMENT AUDIT FINDINGS:

Finding Number 2015-001:

Segregation of Duties and Internal Controls – Accounting Functions – Material Weakness:

Criteria:

Internal controls and adequate segregation of duties that provide reasonable assurance that all financial transactions are reviewed and approved before payment is made and reports are generated should be in place. The South Dakota Legislative Audit Accounting Manual, federal regulations and sound business practices all require that appropriate documentation be accumulated to support financial transaction budgets. Internal controls should be implemented to allow timely review and oversight of the programs and so all records can be

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SHANNON COUNTY SCHOOL DISTRICT NO. 65-1
SCHEDULE OF CURRENT AUDIT FINDINGS
AND QUESTIONED COSTS
(Continued)

retained in a manner to facilitate an audit. This is the eighth consecutive audit in which a similar deficiency has occurred.

Condition:

An adequate system of accounting duties and functions has not been achieved to assure adequate internal control over safeguarding of assets and the reliability of financial records and reporting. Although the School District has a documented system of fiscal management (section D in the School District's Policy Manual), we noted during our audit procedures that there were significant deviations from the established system. More specifically, we noted:

Revenue Process

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

Capital Assets

- The capital assets sub-ledger is not reconciled to the general ledger on a monthly basis.
- In some cases, individuals who initiate the purchase of capital assets are not independent of authorization, recording and reconciling the capital assets sub-ledger to the general ledger.

Context:

We performed inquiry, observation, testing and completed industry standard internal controls questionnaires for the aforementioned functions. Management's responses and our observations were reviewed and control deficiencies noted.

Effect:

For the year ended June 30, 2015, the School District did not have proper internal controls over several accounting functions and/or transaction classes which increased the risk of asset misappropriation. The effects of the deficiencies and lack of segregation of duties and lack of internal controls directly result in all of the reported findings and questioned costs.

Cause:

The School District has not performed an overall risk assessment and modified policies and procedures to address identified risks. Monitoring controls are not in place to ensure that personnel follow the documented policies and procedures.

Auditor's Recommendations:

We recommend that the School District implement proper internal control procedures to address the deficiencies identified above. We also recommend that the School District perform regular internal audits to ensure that adopted policies and procedures have been implemented and are operating effectively.

Finding Number 2015-002:

Account Reconciliation and Analysis – Material Weakness:

Criteria or Specific Requirement:

An accounting system should provide timely and accurate information for management. The School District's accounting staff should periodically reconcile general ledger accounts to subsidiary ledgers and other supporting documentation. This is the eighth consecutive audit in which a similar deficiency has occurred.

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SHANNON COUNTY SCHOOL DISTRICT NO. 65-1
SCHEDULE OF CURRENT AUDIT FINDINGS
AND QUESTIONED COSTS
(Continued)

Condition:

During the course of our audit, we noted that the School District reconciliations for depreciation expense, compensated absences and capital leases were incorrect or had not yet been prepared. As such, some material adjusting journal entries were required after the books were closed at year end.

Context:

There were various adjustments made to the 2015 account balances provided by management. More specifically, there were \$(41,128.23) in asset adjustments, \$(47,584.27) in liability adjustments, and \$(88,712.50) in adjustments to equity. These totals were calculated by comparing balances to those reported in the audited financial statements.

Effect:

Without performing monthly account reconciliations, information provided to management and the School Board is not accurate. Also, the probability that fraud or material errors will occur and go undetected greatly increases. When accounts have not been reviewed and reconciled during the year, the time and costs required at year-end to reconcile these accounts significantly increases.

Cause:

The School District's accounting staff did not perform monthly reconciliations of key account balances.

Auditor's Recommendations:

To promote timely reconciliations, the business manager should establish a realistic schedule for monthly account reconciliations which may include seeking external assistance in performing the reconciliations.

CLOSING CONFERENCE

The audit was discussed with the officials during the course of the audit.

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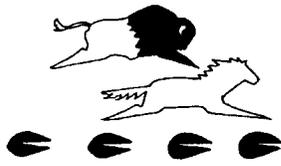
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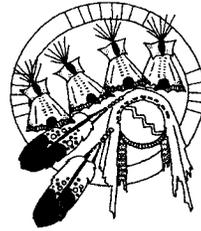
Oglala Lakota County School District 65-1

Dr. Anthony Fairbanks
Superintendent

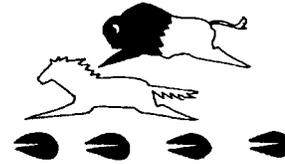
Coy Sasse
Business Manager



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Angie Eagle Bull
Board President

Tom Conroy
Board Vice-President

Richard Zephier
Chuck Conroy
Mike Carlow
Board Members

January 11, 2016

Schoenfish & Co., Inc.
105 E. Main Street
Parkston, SD 57366

Coy Sasse, Business Manager OLCSD 65-1
206 School Street
Batesland, SD 57716

Mr. Schoenfish:

The Oglala Lakota County School District received the FY 2015 Audit Report and reviewed and considered all findings. The Oglala Lakota County School District Board of Education and Personnel are concerned that all findings be resolved to ensure the ongoing integrity of Public School Finance.

Please consider the following responses and actions to be implemented to resolve these findings.

FINANCIAL STATEMENT AUDIT

Finding # 2015-001 Segregation of Duties and Internal Controls-Accounting Functions-Material Weakness:

Areas of deficiency around the segregation of duties in the accounting functions were reviewed and discussed. The business manager is working on a plan to address weaknesses in those areas and ensure adequate segregation of duties and internal controls are in place and effective. The recommendation will be made by the business manager that the district enlist external assistance, preferably in the form of a qualified CPA firm, to specifically review internal controls and duty segregation, especially around the cash handling and account reconciliation processes.

Finding # 2015-002 Account Reconciliation and Analysis-Material Weakness:

The recommendation under finding 2015-001 would extend to this finding as well. External assistance from a CPA firm to help review the account reconciliation process as well as

structure a timely and realistic schedule for account reconciliation, would greatly help the business office in this task, as well as help to ensure that financial information provided to the board of education is accurate, informative, and up to date. This will also help to reduce end of year adjustments.

When the action plan to address these findings is finished, it will be presented to the Superintendent and the Board of Education along with a report explaining the findings in detail.

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INDEPENDENT AUDITOR'S REPORT

School Board
Shannon County School District No. 65-1
Batesland, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Shannon County School District No. 65-1, South Dakota, (School District) as of June 30, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Shannon County School District No. 65-1 as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard.

As described in Note 12 to the financial statements, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in Note 12 to the financial statements, the School District has retroactively restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the School District Contributions on pages 44 through 48, page 53, and page 54, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the

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responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2016 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.
Certified Public Accountants

January 20, 2016

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SHANNON COUNTY SCHOOL DISTRICT NO. 65-1
STATEMENT OF NET POSITION
As of June 30, 2015

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS:			
Cash and Cash Equivalents	15,185,159.31	13,360.47	15,198,519.78
Taxes Receivable	126,842.41		126,842.41
Notes Receivable	19,385,640.62		19,385,640.62
Inventories		28,127.21	28,127.21
Other Assets	2,118,731.30	3,582.99	2,122,314.29
Net Pension Asset	2,827,343.06		2,827,343.06
Capital Assets:			
Land	77,700.00		77,700.00
Other Capital Assets, Net of Depreciation	13,773,295.63	56,348.49	13,829,644.12
TOTAL ASSETS	53,494,712.33	101,419.16	53,596,131.49
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferred Outflows	2,486,357.10		2,486,357.10
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,486,357.10	0.00	2,486,357.10
LIABILITIES :			
Accounts Payable	35,096.91		35,096.91
Other Current Liabilities	1,277,016.95	30,539.20	1,307,556.15
Noncurrent Liabilities:			
Due Within One Year	221,528.77	4,000.00	225,528.77
Due in More than One Year	422,287.17	9,415.23	431,702.40
TOTAL LIABILITIES	1,955,929.80	43,954.43	1,999,884.23
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Levied for Future Period	108,123.16		108,123.16
Pension Related Deferred Inflows	3,274,539.90		3,274,539.90
TOTAL DEFERRED INFLOWS OF RESOURCES	3,382,663.06	0.00	3,382,663.06
NET POSITION:			
Net Investment in Capital Assets	13,532,458.40	56,348.49	13,588,806.89
Restricted for:			
Capital Outlay Purposes	19,451,437.76		19,451,437.76
Special Education Purposes	606,348.01		606,348.01
Pension Purposes	67,213.07		67,213.07
SDRS Pension Purposes	2,039,160.26		2,039,160.26
Unrestricted	14,945,859.07	1,116.24	14,946,975.31
TOTAL NET POSITION	50,642,476.57	57,464.73	50,699,941.30

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

SHANNON COUNTY SCHOOL DISTRICT NO. 65-1
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2015

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and Cash Equivalents	14,801,524.60	59,684.70	242,348.16	66,601.85	15,170,159.31
Advanced Payments	15,000.00				15,000.00
Taxes Receivable--Current	36,436.77	44,963.48	22,226.70	4,496.21	108,123.16
Taxes Receivable--Delinquent	9,131.06	6,112.44	2,864.53	611.22	18,719.25
Notes Receivable		19,385,640.62			19,385,640.62
Due from Other Government	1,545,098.30		573,633.00		2,118,731.30
TOTAL ASSETS	<u>16,407,190.73</u>	<u>19,496,401.24</u>	<u>841,072.39</u>	<u>71,709.28</u>	<u>36,816,373.64</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	29,940.54		5,156.37		35,096.91
Contracts Payable	1,023,482.92		167,294.10		1,190,777.02
Payroll Deductions and Withholdings and Employer Matching Payable	73,799.86		12,440.07		86,239.93
Total Liabilities	<u>1,127,223.32</u>	<u>0.00</u>	<u>184,890.54</u>	<u>0.00</u>	<u>1,312,113.86</u>
Deferred Inflows of Resources					
Unavailable Revenue - Property Taxes	9,131.06	6,112.44	2,864.53	611.22	18,719.25
Property Taxes Levied for Future Period	36,436.77	44,963.48	22,226.70	4,496.21	108,123.16
Total Deferred Inflows of Resources	<u>45,567.83</u>	<u>51,075.92</u>	<u>25,091.23</u>	<u>5,107.43</u>	<u>126,842.41</u>
Fund Balances:					
Restricted:					
Capital Outlay		19,445,325.32			19,445,325.32
Special Education			631,090.62		631,090.62
Pension				66,601.85	66,601.85
Unassigned	15,234,399.58				15,234,399.58
Total Fund Balances	<u>15,234,399.58</u>	<u>19,445,325.32</u>	<u>631,090.62</u>	<u>66,601.85</u>	<u>35,377,417.37</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>16,407,190.73</u>	<u>19,496,401.24</u>	<u>841,072.39</u>	<u>71,709.28</u>	<u>36,816,373.64</u>

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

SHANNON COUNTY SCHOOL DISTRICT NO. 65-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2015

Total Fund Balances - Governmental Funds	<u>35,377,417.37</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>2,827,343.06</u>
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	<u>13,850,995.63</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>2,486,357.10</u>
Long-term liabilities, including financing (capital acquisition) leases and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(643,815.94)</u>
Assets, such as taxes rcivable that are not available to pay for current period expenditures, are deferred in the funds.	<u>18,719.25</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(3,274,539.90)</u>
Net Position - Governmental Activities	<u><u>50,642,476.57</u></u>

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

SHANNON COUNTY SCHOOL DISTRICT NO. 65-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Total Governmental Funds
Revenues:					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	83,627.10	92,613.60	44,784.42	9,261.20	230,286.32
Prior Years' Ad Valorem Taxes	2,626.40	1,876.75	872.41	180.12	5,555.68
Tax Deed Revenue	25.65				25.65
Utility Taxes	401,254.51				401,254.51
Penalties and Interest on Taxes	1,382.33	718.67	324.44	57.18	2,482.62
Earnings on Investments and Deposits	221,443.05	1,547.84	6,193.26	884.94	230,069.09
Other Revenue from Local Sources:					
Rentals	72,260.00				72,260.00
Charges for Services			20,088.06		20,088.06
Other	178,816.77				178,816.77
Revenue from Intermediate Sources:					
County Sources:					
County Apportionment	1,114.00				1,114.00
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid	6,808,860.15				6,808,860.15
Restricted Grants-in-Aid	16,188.00		1,846,787.00		1,862,975.00
Revenue from Federal Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid Received					
Directly from Federal Government	10,921,870.95	188,688.00	379,377.57		11,489,936.52
Restricted Grants-in-Aid Received					
Directly from Federal Government	477,466.18				477,466.18
Restricted Grants-in-Aid Received from Federal Government Through the State	4,340,626.14	668,720.24	596,917.37		5,606,263.75
Total Revenue	23,527,561.23	954,165.10	2,895,344.53	10,383.44	27,387,454.30

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

SHANNON COUNTY SCHOOL DISTRICT NO. 65-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Total Total Governmental Funds</u>
Expenditures:					
Instruction:					
Regular Programs:					
Elementary	4,380,828.47	1,780,220.64			6,161,049.11
High School	366,894.41				366,894.41
Preschool Services	382,023.69				382,023.69
Other Regular Programs	57,646.15				57,646.15
Special Programs:					
Programs for Special Education			1,545,946.37		1,545,946.37
Culturally Different	195,644.18				195,644.18
Educationally Deprived	2,696,173.21				2,696,173.21
Support Services:					
Pupils:					
Attendance and Social Work	31,567.68		72,899.41		104,467.09
Guidance	352,891.70				352,891.70
Health	157,356.99				157,356.99
Psychological			156,616.53		156,616.53
Speech Pathology			387,209.18		387,209.18
Student Therapy Services			125,570.92		125,570.92
Instructional Staff:					
Improvement of Instruction	334,208.11		16,499.54		350,707.65
Educational Media	432,065.42	22,352.65			454,418.07
General Administration:					
Board of Education	178,840.82				178,840.82
Executive Administration	292,189.44				292,189.44
School Administration:					
Office of the Principal	962,537.59				962,537.59
Title I Program Administration	208,291.41				208,291.41
Business:					
Fiscal Services	583,373.24				583,373.24
Operation and Maintenance of Plant	1,990,386.85	828,647.61			2,819,034.46
Pupil Transportation	1,933,189.87				1,933,189.87
Food Service	88,173.84				88,173.84
Central:					
Planning	214,977.30				214,977.30

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

SHANNON COUNTY SCHOOL DISTRICT NO. 65-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Total Governmental Funds
Expenditures (Cont.):					
Support Services (Cont.):					
Special Education:					
Administrative Costs			167,789.37		167,789.37
Transportation Costs			82.14		82.14
Community Services:					
Direction	12,189.36				12,189.36
Nonpublic School	522,923.99				522,923.99
Other					0.00
Nonprogrammed Charges:					
Early Retirement Payments	28,532.64				28,532.64
Debt Services		746,783.67			746,783.67
Cocurricular Activities:					
Combined Activities	161,922.55				161,922.55
Capital Outlay		842,011.02			842,011.02
Total Expenditures	16,564,828.91	4,220,015.59	2,472,613.46	0.00	23,257,457.96
Excess of Revenue Over (Under) Expenditures	6,962,732.32	(3,265,850.49)	422,731.07	10,383.44	4,129,996.34
Other Financing Sources (Uses):					
Transfers In		3,111,312.00			3,111,312.00
Transfers Out	(3,161,312.00)				(3,161,312.00)
General Long-Term Debt Issued		378,535.93			378,535.93
Sale of Surplus Property	17,565.00				17,565.00
Compensation for Loss of General Capital Assets		827,425.42			827,425.42
Total Other Financing Sources (Uses)	(3,143,747.00)	4,317,273.35	0.00	0.00	1,173,526.35
Net Change in Fund Balances	3,818,985.32	1,051,422.86	422,731.07	10,383.44	5,303,522.69
Fund Balance - Beginning	11,415,414.26	18,393,902.46	208,359.55	56,218.41	30,073,894.68
FUND BALANCE - ENDING	15,234,399.58	19,445,325.32	631,090.62	66,601.85	35,377,417.37

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

SHANNON COUNTY SCHOOL DISTRICT NO. 65-1
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds	<u>5,303,522.69</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>842,011.02</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(1,059,187.52)</u>
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	<u>(23,403.44)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	<u>729,525.43</u>
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government-wide statements.	<u>(378,535.93)</u>
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available." This amount reflects the application of both the application period and "availability criteria."	<u>(2,400.60)</u>
Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits or elect to retire early.	<u>(14,678.52)</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (pension revenue)	<u>119,425.92</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (pension expense)	<u>401,720.07</u>
Change in Net Position of Governmental Activities	<u><u>5,917,999.12</u></u>

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

SHANNON COUNTY SCHOOL DISTRICT NO. 65-1
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of June 30, 2015

	Enterprise Funds
	Food Service Fund
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	13,360.47
Due from State Government	3,582.99
Inventory of Supplies	5,994.57
Inventory of Stores Purchased for Resale	20,089.93
Inventory of Donated Food	2,042.71
Total Current Assets	45,070.67
Noncurrent Assets:	
Capital Assets:	
Machinery and Equipment--Local Funds	292,302.00
Less: Accumulated Depreciation	(235,953.51)
Total Noncurrent Assets	56,348.49
TOTAL ASSETS	101,419.16
LIABILITIES:	
Current Liabilities:	
Contracts Payable	28,462.89
Payroll Deductions and Withholdings and Employer Matching Payable	2,076.31
Total Current Liabilities	30,539.20
Noncurrent Liabilities:	
Accrued Leave Payble	13,415.23
Total Noncurrent Liabilities	13,415.23
NET POSITION:	
Net Investment in Capital Assets	56,348.49
Unrestricted Net Position	1,116.24
Total Net Position	57,464.73

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

SHANNON COUNTY SCHOOL DISTRICT NO. 65-1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Enterprise Funds
	Food Service Fund
Operating Revenue:	
Sales:	
To Adults	96,575.87
Other Charges for Goods and Services	9,070.30
Total Operating Revenue	105,646.17
Operating Expenses:	
Food Service:	
Salaries	294,574.72
Employee Benefits	107,541.81
Purchased Services	11,059.25
Supplies	49,508.94
Cost of Sales - Purchased Food	633,874.72
Cost of Sales - Donated Food	54,979.56
Other	128.00
Depreciation	8,128.37
Total Operating Expenses	1,159,795.37
Operating Income (Loss)	(1,054,149.20)
Nonoperating Revenue (Expense):	
State Grants	4,546.15
Federal Grants	919,815.59
Donated Food	53,172.79
Total Nonoperating Revenue (Expense)	977,534.53
Income (Loss) Before Transfers	(76,614.67)
Transfers In	50,000.00
Change in Net Position	(26,614.67)
Net Position - Beginning	84,079.40
NET POSITION - ENDING	57,464.73

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

SHANNON COUNTY SCHOOL DISTRICT NO. 65-1
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	<u>Enterprise Funds</u>
	<u>Food Service Fund</u>
Cash Flows from Operating Activities:	
Cash Receipts from Customers	105,646.17
Cash Payments to Employees for Services	<u>(390,195.94)</u>
Cash Payments to Suppliers of Goods and Services	<u>(695,455.11)</u>
Net Cash Provided (Used) by Operating Activities	<u>(980,004.88)</u>
Cash Flows from Noncapital Financing Activities:	
Transfers from General Fund	50,000.00
Operating Grants	<u>934,836.48</u>
Net Cash Provided (Used) from Noncapital Financing Activities	<u>984,836.48</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>4,831.60</u>
Cash and Cash Equivalents at Beginning of Year	<u>8,528.87</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>13,360.47</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	<u>(1,054,149.20)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	8,128.37
Value of Donated Commodities Used	<u>54,979.56</u>
Change in Assets and Liabilities:	
Inventories	<u>(884.20)</u>
Accrued Wages Payable	<u>2,681.38</u>
Accrued Leave Payable	<u>9,239.21</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(980,004.88)</u></u>
Noncash Investing, Capital and Financing Activities:	
Value of Commodities Received	<u><u>53,504.38</u></u>

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

SHANNON COUNTY SCHOOL DISTRICT NO. 65-1
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
As of June 30, 2015

	Agency Funds
ASSETS:	
Cash and Cash Equivalents	7,895.31
TOTAL ASSETS	7,895.31
LIABILITIES:	
Amounts Held for Others	7,895.31
TOTAL LIABILITIES	7,895.31

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of Shannon County School District No. 65-1 (School District) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds, may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation:

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

Governmental Funds:

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

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

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

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

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

Proprietary Funds:

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

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

Fiduciary Funds:

Fiduciary funds are never considered to be major funds.

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay all the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Shannon County School District No. 65-1, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2015 are grants from other governments and gross receipts taxes.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

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

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:

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

e. Deposits and Investments:

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

f. Capital Assets:

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

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

Government-Wide Statements

All capital assets are valued at historical cost 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.

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts),

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NOTES TO THE FINANCIAL STATEMENTS
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depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 1.00	----N/A----	----N/A----
Improvements	\$ 5,000.00	Straight-line	15-50 yrs.
Buildings	\$ 5,000.00	Straight-line	15-50 yrs.
Machinery & Equipment	\$ 5,000.00	Straight-line	15-50 yrs.
Food Service Equipment	\$ 5,000.00	Straight-line	3-20 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

g. Long-Term Liabilities:

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

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

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

h. Program Revenues:

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

i. Proprietary Funds Revenue and Expense Classifications:

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

j. Cash and Cash Equivalents:

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

k. Equity Classifications:

Government-wide Statements:

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

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

Fund Financial Statements:

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

l. Application of Net Position:

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

m. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

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NOTES TO THE FINANCIAL STATEMENTS
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- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Business Manager.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

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

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

<u>Major Special Revenue Fund:</u>	<u>Revenue Source:</u>
Capital Outlay	Real Estate Taxes and Grants
Special Education	Real Estate Taxes, State Aid, and Grants
Pension	Real Estate Taxes

n. Pensions:

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

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

3. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year.

4. INVENTORY

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

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

In the fund financial statements, inventories in the General Fund, special revenue funds, and proprietary funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed in the General Fund, the special revenue funds, and the proprietary funds. At June 30, 2015, the supplies inventory on hand was not material in the General Fund and special revenue funds.

5. PROPERTY TAXES

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

6. CHANGES IN CAPITAL ASSETS

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

Primary Government

	<u>Balance 07/01/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/2015</u>
Primary Government:				
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	77,700.00			77,700.00
Total, not being depreciated	<u>77,700.00</u>	<u>0.00</u>	<u>0.00</u>	<u>77,700.00</u>
Capital Assets, being depreciated:				
Improvements	1,857,181.77	23,841.09		1,881,022.86
Buildings	18,744,226.71			18,744,226.71
Machinery & Equipment	5,622,551.68	818,169.93	(1,001,999.00)	5,438,722.61
Total, being depreciated	<u>26,223,960.16</u>	<u>842,011.02</u>	<u>(1,001,999.00)</u>	<u>26,063,972.18</u>
Less Accumulated Depreciation for:				
Improvements	(496,542.32)	(106,979.83)		(603,522.15)
Buildings	(7,718,736.83)	(379,298.27)		(8,098,035.10)
Machinery & Equipment	(3,994,805.44)	(572,909.42)	978,595.56	(3,589,119.30)
Total Accumulated Depreciation	<u>(12,210,084.59)</u>	<u>(1,059,187.52)</u>	<u>978,595.56</u>	<u>(12,290,676.55)</u>
Total Capital Assets, being depreciated, net	<u>14,013,875.57</u>	<u>(217,176.50)</u>	<u>(23,403.44)</u>	<u>13,773,295.63</u>
Governmental Activity Capital Assets, Net	<u>14,091,575.57</u>	<u>(217,176.50)</u>	<u>(23,403.44)</u>	<u>13,850,995.63</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	348,127.54
Support Services	709,250.65
Co-curricular Activities	1,809.33
Total Depreciation Expense - Governmental Activities	<u>1,059,187.52</u>

	<u>Balance 07/01/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/15</u>
Business-Type Activities:				
Capital Assets, being depreciated:				
Machinery & Equipment	292,302.00			292,302.00
Total, being depreciated	<u>292,302.00</u>	<u>0.00</u>	<u>0.00</u>	<u>292,302.00</u>
Less Accumulated Depreciation for:				
Machinery & Equipment	(227,825.14)	(8,128.37)		(235,953.51)
Total Accumulated Depreciation	<u>(227,825.14)</u>	<u>(8,128.37)</u>	<u>0.00</u>	<u>(235,953.51)</u>
Business-Type Activity Capital Assets, Net	<u>64,476.86</u>	<u>(8,128.37)</u>	<u>0.00</u>	<u>56,348.49</u>

Depreciation expense was charged to functions as follows:

Business-type Activities:	
Food Services	8,128.37
Total Depreciation Expense - Business-type Activities	<u>8,128.37</u>

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NOTES TO THE FINANCIAL STATEMENTS
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7. LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government:					
Governmental Activities:					
Financing (Capital Acquisition)					
Leases - Copiers	5,629.12		5,629.12	0.00	0.00
Financing (Capital Acquisition)					
Leases - Copiers	1,142.17		1,142.17	0.00	0.00
Financing (Capital Acquisition)					
Leases - Printers/Copiers		259,112.85	43,628.20	215,484.65	49,556.35
Financing (Capital Acquisition)					
Leases - Computers	662,755.44		662,755.44	0.00	0.00
Financing (Capital Acquisition)					
Leases - Telephone System	0.00	119,423.08	16,370.50	103,052.58	28,870.25
Total Debt	<u>669,526.73</u>	<u>378,535.93</u>	<u>729,525.43</u>	<u>318,537.23</u>	<u>78,426.60</u>
Early Retirement Payable	79,515.00	49,791.50	28,532.64	100,773.86	43,102.17
Accrued Compensated Absences	231,085.19	89,005.88	95,586.22	224,504.85	100,000.00
Total Governmental Activities	<u>980,126.92</u>	<u>517,333.31</u>	<u>853,644.29</u>	<u>643,815.94</u>	<u>221,528.77</u>
Business-Type Activities:					
Accrued Compensated Absences	4,176.02	13,391.72	4,152.51	13,415.23	4,000.00
Total Business-Type Activities	<u>4,176.02</u>	<u>13,391.72</u>	<u>4,152.51</u>	<u>13,415.23</u>	<u>4,000.00</u>
TOTAL PRIMARY GOVERNMENT	<u>984,302.94</u>	<u>530,725.03</u>	<u>857,796.80</u>	<u>657,231.17</u>	<u>225,528.77</u>

Compensated absences for governmental activities typically have been liquidated from the General Fund, Special Education Fund, and Food Service Fund.

Liabilities Payable at June 30, 2015, is comprised of the following:

PRIMARY GOVERNMENT

Governmental Activities:

Early Retirement Payable:

 Payable from General Fund \$ 100,773.86

Compensated Absences:

 Payable from General Fund \$ 196,897.71
 Payable from Special Education Fund \$ 27,607.14
 Payable from Food Service Fund \$ 13,415.23

Payment to be made by the fund that the payroll expenditures are charged to.

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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Financing (Capital Acquisition) Leases:
 Copier/Printer Equipment (Capital Acquisition) Lease, \$ 215,484.65
 Maturity Date August 12, 2019, Interest Rate 4.02%
 Paid by Capital Outlay Fund

Financing (Capital Acquisition) Leases:
 Telephone Equipment (Capital Acquisition) Lease, \$ 103,052.58
 Maturity Date November 3, 2018, Interest Rate 3.58%
 Paid by Capital Outlay Fund

The purchase price at the commencement of the financing (capital acquisition) lease was:

Principal	\$ 378,535.93
Interest	36,346.43
TOTAL	<u>\$ 414,882.36</u>

The annual debt service requirements to maturity, except for compensated absences, for all debt outstanding as of June 30, 2015 are as follows:

Shannon County School District No. 65-1
 Annual Requirements to Maturity for Long-Term Debt
 June 30, 2015

Year Ending June 30,	Copier/Printer Equipment Financing (Capital Acquisition) Leases		Telephone Equipment Financing (Capital Acquisition) Leases		Early Retirement Benefits Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	49,556.35	7,749.05	28,870.25	3,218.59	43,102.17	
2017	51,583.79	5,721.61	29,920.94	2,167.90	43,102.17	
2018	53,694.17	3,611.23	31,009.86	1,078.98	14,569.52	
2019	55,890.86	1,414.54	13,251.53	118.82		
2020	4,759.48	15.97				
Totals	<u>215,484.65</u>	<u>18,512.40</u>	<u>103,052.58</u>	<u>6,584.29</u>	<u>100,773.86</u>	<u>0.00</u>

Year Ending June 30,	Totals	
	Principal	Interest
2016	121,528.77	10,967.64
2017	124,606.90	7,889.51
2018	99,273.55	4,690.21
2019	69,142.39	1,533.36
2020	4,759.48	15.97
Totals	<u>419,311.09</u>	<u>25,096.69</u>

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

8. OPERATING LEASES

Operating Lease for the partial lease of Batesland and Rockyford school buildings. Payable from the Capital Outlay fund.

<u>Year</u>	<u>Rockyford School Capital Outlay</u>	<u>Batesland School Capital Outlay</u>
2016	944,000.00	700,000.00
2017	944,000.00	700,000.00
2018	944,000.00	700,000.00
2019		130,667.00

9. DEFERRED INFLOWS AND DEFERRED OUTFLOWS OF RESOURCES

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

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

10. RESTRICTED NET POSITION

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

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Funds:		
Capital Outlay	Law	\$ 19,451,437.76
Special Education	Law	606,348.01
Pension	Law	67,213.07
SDRS Pension	Governmental Accounting Standards	2,039,160.26
Total Restricted Net Position		<u>\$ 22,164,159.10</u>

11. INTERFUND TRANSFERS

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

	<u>Transfers To:</u>		
<u>Transfers From:</u>	<u>Capital Outlay Fund</u>	<u>Food Service Fund</u>	<u>Totals</u>
General Fund	3,111,312.00	50,000.00	3,161,312.00
Totals	<u>3,111,312.00</u>	<u>50,000.00</u>	<u>3,161,312.00</u>

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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The School District typically budgets transfers from the General Fund to conduct the indispensable functions of the School District.

12. PRIOR PERIOD ADJUSTMENT

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

Net Position July 1, 2014, as previously reported	\$43,206,463.18
Restatement for pension accounting:	
Net Pension Asset	1,106,456.03
Pension related Deferred Outflows of Resources	<u>411,558.24</u>
Net Position July 1, 2014, as restated	<u>\$44,724,477.45</u>

13. PENSION PLAN

Plan Information:

All certified 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. The SDRS provides retirement, disability, and survivors benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee’s contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District’s share of contributions to the SDRS for the fiscal years ended June 30, 2015, 2014, and 2013 were \$401,520.39, \$411,558.24, and \$433,941.00, respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2014, SDRS is 107 percent funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of June 30, 2014 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 41,627,894.38
Less proportionate share of total pension liability	<u>\$ 38,800,551.32</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (2,827,343.06)</u></u>

At June 30, 2015, the School District reported a liability (asset) of \$(2,827,343.06) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2014 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School’s share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2014, the School District’s proportion was 0.3924363%.

For the year ended June 30, 2015, the School District recognized pension expense (revenue) of \$(119,425.92). At June 30, 2015 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience.	\$ 239,231.45	
Changes in assumption.	\$ 1,845,605.26	
Net Difference between projected and actual earnings on pension plan investments.		\$ 3,274,539.90
District contributions subsequent to the measurement date.	<u>\$ 401,520.39</u>	
TOTAL	<u>\$ 2,486,357.10</u>	<u>\$ 3,274,539.90</u>

\$401,520.39 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:

2016	\$ (224,664.40)
2017	\$ (224,664.40)
2018	\$ (224,664.40)
2019	<u>\$ (515,709.98)</u>
TOTAL	<u>\$ (1,189,703.18)</u>

Actuarial Assumptions:

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

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

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in

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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$2,793,946.73	\$(2,827,343.06)	\$(7,412,091.59)

Pension Plan Fiduciary Net Position:

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

14. DEFERRED ANNUITY

The School District also provides a deferred annuity retirement plan to full-time classified employees meeting certain eligibility requirements. For employees, the School District contributes 1 to 5 percent of the employee's contract salary. Employees are encouraged to contribute to the plan, as well. Contributions were made by the School District and employees as follows:

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

<u>Year</u>	<u>School District</u>	<u>Employees</u>
FY 2015	<u>\$ 127,912.95</u>	<u>\$ 140,380.08</u>

15. EARLY RETIREMENT BENEFITS

Any certified employee who has served in the School District for 11 years may elect early retirement of 75% of present salary beginning at age 54. Termination year is the first school year that the retiree is not working. A maximum of three employees per year will be accepted with an option for the board to allow additional retirees

Payment of the net amount benefit will be one lump sum on the payday of the first pay period of July of the termination year or one-third of the amount on July 1 following retirement, one-third on each subsequent July1, until paid in full.

Early retirement payments that were due and payable in fiscal year 2015 were \$28,532.64.

16. RISK MANAGEMENT

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

Employee Health Insurance:

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

Liability Insurance:

The School District joined the Associated School Boards of South Dakota Property Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The School District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the School District. The School District pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage. The School District pays an annual premium to the pool to provide coverage for: property damage and liability, and liability and errors and omissions of public officials.

The agreement with the ASBSD-PLF provides that the above coverages will be provided to a \$300,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limit. The School District carries a \$500 deductible for the property coverage and \$1,000 deductible for the errors and omissions coverage.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Workers' Compensation:

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provided workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer on behalf of the member organizations, a program of workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide workers' compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$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 District provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

17. SIGNIFICANT CONTINGENCIES – LITIGATION

At June 30, 2015, the School District was involved in several legal actions. No determination can be made at this time regarding the potential outcome of most of these actions. However, as discussed in the Risk Management note, the School District has liability coverage for itself and its employees with the South Dakota Property Liability Fund. Therefore, no material effects are anticipated to the School District as a result of the potential outcome of most of these lawsuits.

18. VIOLATIONS OF CONTRACTUAL AGREEMENTS

As part of an agreement with the South Dakota Department of Education, the School District is required to have three approval signatures on each Title I purchase order or voucher. As part of the tests of expenditures we examined 111 vouchers for payment of the School District. Several of the expenditure vouchers examined were for Title I Program expenditures. Several of the Title I vouchers examined were approved for payment by all three people. The School District has made progress in meeting the terms of their agreement.

19. SUBSEQUENT EVENTS

The South Dakota State Legislature, during the 2015 session, voted to approve the name change for Shannon County to Oglala Lakota County. Because of this change, on July 1, 2015 the Shannon County School District became the Oglala Lakota County School District.

REQUIRED SUPPLEMENTARY INFORMATION
SHANNON COUNTY SCHOOL DISTRICT NO. 65-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	44,142.00	44,142.00	83,627.10	39,485.10
Prior Years' Ad Valorem Taxes	55,000.00	55,000.00	2,626.40	(52,373.60)
Tax Deed Revenue	0.00	0.00	25.65	25.65
Utility Taxes	370,000.00	370,000.00	401,254.51	31,254.51
Penalties and Interest on Taxes	2,000.00	2,000.00	1,382.33	(617.67)
Earnings on Investments and Deposits	50,000.00	50,000.00	0.00	(50,000.00)
Other Revenue from Local Sources:				
Rentals	55,000.00	55,000.00	72,260.00	17,260.00
Other	200,000.00	200,000.00	178,816.77	(21,183.23)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	1,500.00	1,500.00	1,114.00	(386.00)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	6,905,347.00	6,905,347.00	6,808,860.15	(96,486.85)
Restricted Grants-in-Aid	0.00	0.00	16,188.00	16,188.00
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received Directly from Federal Government	604,628.00	624,628.00	477,466.18	(147,161.82)
Restricted Grants-in-Aid Received from Federal Government Through the State	5,000,125.00	5,050,125.00	4,340,626.14	(709,498.86)
Total Revenue	13,287,742.00	13,357,742.00	12,384,247.23	(973,494.77)
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	3,663,541.00	3,663,541.00	4,380,828.47	(717,287.47)
High School	536,118.00	536,118.00	366,894.41	169,223.59
Preschool Services	404,379.00	404,379.00	382,023.69	22,355.31
Other Regular Programs	267,178.00	267,178.00	57,646.15	209,531.85
Special Programs:				
Culturally Different	317,450.00	327,450.00	195,644.18	131,805.82
Educationally Deprived	3,173,212.00	3,223,212.00	2,696,173.21	527,038.79
Support Services:				
Pupils:				
Attendance and Social Work	54,650.00	54,650.00	31,567.68	23,082.32
Guidance	356,648.00	356,648.00	352,891.70	3,756.30
Health	172,335.00	172,335.00	157,356.99	14,978.01

REQUIRED SUPPLEMENTARY INFORMATION
SHANNON COUNTY SCHOOL DISTRICT NO. 65-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Cont.):				
Support Services:				
Instructional Staff:				
Improvement of Instruction	419,248.00	419,248.00	334,208.11	85,039.89
Educational Media	439,852.00	439,852.00	432,065.42	7,786.58
General Administration:				
Board of Education	200,000.00	200,000.00	178,840.82	21,159.18
Executive Administration	321,117.00	321,117.00	292,189.44	28,927.56
School Administration:				
Office of the Principal	1,052,062.00	1,052,062.00	962,537.59	89,524.41
Title I Program Administration	149,601.00	149,601.00	208,291.41	(58,690.41)
Business:				
Fiscal Services	653,352.00	653,352.00	583,373.24	69,978.76
Operation and Maintenance of Plant	2,284,915.00	2,284,915.00	1,990,386.85	294,528.15
Pupil Transportation	2,089,956.00	2,089,956.00	1,933,189.87	156,766.13
Food Services	85,000.00	85,000.00	88,173.84	(3,173.84)
Central:				
Planning	2,500.00	12,500.00	214,977.30	(202,477.30)
Community Services:				
Direction	15,250.00	15,250.00	12,189.36	3,060.64
Custody and Care of Children	4,000.00	4,000.00	0.00	4,000.00
Nonpublic School	684,405.00	684,405.00	522,923.99	161,481.01
Nonprogrammed Charges:				
Early Retirement Payments	151,000.00	151,000.00	28,532.64	122,467.36
Cocurricular Activities:				
Combined Activities	204,553.00	204,553.00	161,922.55	42,630.45
Contingency				
Amount Transferred	50,000.00	50,000.00		
		0.00		50,000.00
Total Expenditures	17,752,322.00	17,822,322.00	16,564,828.91	1,257,493.09
Excess of Revenue Over (Under)				
Expenditures	(4,464,580.00)	(4,464,580.00)	(4,180,581.68)	283,998.32
Other Financing Sources (Uses):				
Transfers In	4,464,580.00	4,464,580.00	5,400,000.00	935,420.00
Sale of Surplus Property			17,565.00	17,565.00
Total Other Financing Sources (Uses)	4,464,580.00	4,464,580.00	5,417,565.00	952,985.00
Net Change in Fund Balances	0.00	0.00	1,236,983.32	1,236,983.32
Fund Balance - Beginning	(790,266.37)	(790,266.37)	(790,266.37)	0.00
FUND BALANCE - ENDING	(790,266.37)	(790,266.37)	446,716.95	1,236,983.32

REQUIRED SUPPLEMENTARY INFORMATION
SHANNON COUNTY SCHOOL DISTRICT NO. 65-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	45,731.00	45,731.00	92,613.60	46,882.60
Prior Years' Ad Valorem Taxes	56,000.00	56,000.00	1,876.75	(54,123.25)
Penalties and Interest on Taxes	1,000.00	1,000.00	718.67	(281.33)
Earnings on Investments and Deposits	5,000.00	5,000.00	1,547.84	(3,452.16)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received Directly from Federal Government	0.00	0.00	188,688.00	188,688.00
Restricted Grants-in-Aid Received from Federal Government Through the State	0.00	668,720.00	668,720.24	0.24
Total Revenue	107,731.00	776,451.00	954,165.10	177,714.10
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	2,110,700.00	2,110,700.00	1,780,220.64	330,479.36
Support Services:				
Instructional Staff:				
Educational Media	15,000.00	15,000.00	22,352.65	(7,352.65)
Business:				
Operation and Maintenance of Plant	0.00	748,662.00	1,231,024.63	(482,362.63)
Pupil Transportation	500,000.00	500,000.00	439,634.00	60,366.00
Debt Services	1,249,082.00	1,917,802.00	746,783.67	1,171,018.33
Total Expenditures	3,874,782.00	5,292,164.00	4,220,015.59	1,072,148.41
Excess of Revenue Over (Under) Expenditures	(3,767,051.00)	(4,515,713.00)	(3,265,850.49)	1,249,862.51
Other Financing Sources (Uses):				
Transfers In	3,767,051.00	3,767,051.00	3,111,312.00	(655,739.00)
Proceeds of General Long-term Liabilities	0.00	0.00	378,535.93	378,535.93
Compensation for Loss of General Capital Assets	0.00	748,662.00	827,425.42	78,763.42
Total Other Financing Sources (Uses)	3,767,051.00	4,515,713.00	4,317,273.35	(198,439.65)
Net Change in Fund Balances	0.00	0.00	1,051,422.86	1,051,422.86
Fund Balance - Beginning	18,393,902.46	18,393,902.46	18,393,902.46	0.00
FUND BALANCE - ENDING	18,393,902.46	18,393,902.46	19,445,325.32	1,051,422.86

REQUIRED SUPPLEMENTARY INFORMATION
SHANNON COUNTY SCHOOL DISTRICT NO. 65-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	21,341.00	21,341.00	44,784.42	23,443.42
Prior Years' Ad Valorem Taxes	25,000.00	25,000.00	872.41	(24,127.59)
Penalties and Interest on Taxes	750.00	750.00	324.44	(425.56)
Earnings on Investments and Deposits	2,500.00	2,500.00	6,193.26	3,693.26
Other Revenue from Local Sources:				
Charges for Services	12,000.00	12,000.00	20,088.06	8,088.06
Revenue from State Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid	1,888,971.00	1,888,971.00	1,846,787.00	(42,184.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received Directly from Federal Government	265,000.00	265,000.00	379,377.57	114,377.57
Restricted Grants-in-Aid Received from Federal Government Through the State	644,782.00	644,782.00	596,917.37	(47,864.63)
Total Revenue	2,860,344.00	2,860,344.00	2,895,344.53	35,000.53
Expenditures:				
Instruction:				
Special Programs:				
Programs for Special Education	1,676,649.00	1,676,649.00	1,545,946.37	130,702.63
Support Services:				
Pupils:				
Attendance and Social Work	75,252.00	75,252.00	72,899.41	2,352.59
Psychological	169,563.00	169,563.00	156,616.53	12,946.47
Speech Pathology	389,992.00	389,992.00	387,209.18	2,782.82
Student Therapy Services	172,731.00	172,731.00	125,570.92	47,160.08
Instructional Staff:				
Improvement of Instruction	48,732.00	48,732.00	16,499.54	32,232.46
Special Education:				
Administrative Costs	370,800.00	370,800.00	167,789.37	203,010.63
Transportation Costs	0.00	0.00	82.14	(82.14)
Total Expenditures	2,903,719.00	2,903,719.00	2,472,613.46	431,105.54
Excess of Revenue Over (Under) Expenditures	(43,375.00)	(43,375.00)	422,731.07	466,106.07
Other Financing Sources (Uses):				
Transfers In	43,375.00	43,375.00	0.00	(43,375.00)
Total Other Financing Sources (Uses)	43,375.00	43,375.00	0.00	(43,375.00)
Net Change in Fund Balances	0.00	0.00	422,731.07	422,731.07
Fund Balance - Beginning	208,359.55	208,359.55	208,359.55	0.00
FUND BALANCE - ENDING	208,359.55	208,359.55	631,090.62	422,731.07

REQUIRED SUPPLEMENTARY INFORMATION
SHANNON COUNTY SCHOOL DISTRICT NO. 65-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
PENSION FUND
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	4,172.00	4,172.00	9,261.20	5,089.20
Prior Years' Ad Valorem Taxes	100.00	100.00	180.12	80.12
Penalties and Interest on Taxes	100.00	100.00	57.18	(42.82)
Earnings on Investments and Deposits	600.00	600.00	884.94	284.94
Total Revenue	4,972.00	4,972.00	10,383.44	5,411.44
Expenditures:				
Nonprogrammed Charges:				
Early Retirement Payments	4,972.00	4,972.00	0.00	4,972.00
Total Expenditures	4,972.00	4,972.00	0.00	4,972.00
Net Change in Fund Balances	0.00	0.00	10,383.44	10,383.44
Fund Balance - Beginning	56,218.41	56,218.41	56,218.41	0.00
FUND BALANCE - ENDING	56,218.41	56,218.41	66,601.85	10,383.44

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

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

Note 1. Budgets and Budgetary Accounting:

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

1. Prior to the first regular meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated by number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
11. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATIONJune 30, 2015(Continued)

12. The following reconciles the USGAAP Basis fund balance to the Budgetary Basis fund balance:

	<u>Year Ended 6/30/2015</u>
General Fund:	
USGAAP Basis Fund Balance	<u>\$ 15,234,399.58</u>
(Deduct) Impact Aid Revenue	(11,143,314.00)
Impact Aid Beginning Balance	(12,205,680.63)
Impact Aid Transfer Out	8,561,312.00
Net Adjustment to GAAP Basis Fund Balance	<u>(14,787,682.63)</u>
Budgetary Basis Fund Balance	<u><u>\$ 446,716.95</u></u>

Note 2. GAAP/Budgetary Accounting Basis Differences:

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

REQUIRED SUPPLEMENTARY INFORMATIONSCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

(Dollar amounts in thousands)

	<u>2015</u>
District's proportion of the net pension liability (asset)	0.3924363%
District's proportionate share of net pension liability (asset)	\$ (2,827)
District's covered-employee payroll	\$ 6,859
District's proportionate share of the net pension asset as a percentage of its covered-employee payroll	41.22%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107%

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS

South Dakota Retirement System

(Dollar amounts in thousands)

	<u>2015</u>
Contractually required contribution	\$ 401
Contributions in relation to the contractually required contribution	<u>\$ 401</u>
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 6,674
Contributions as a percentage of covered-employee payroll	6.0%

SHANNON COUNTY SCHOOL DISTRICT NO. 65-1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures FY 2015</u>
US Department of Agriculture:		
Pass-Through the SD Department of Education:		
Child Nutrition Cluster:		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	54,979.56
Cash Assistance:		
School Breakfast Program (Note 4)	10.553	315,333.05
National School Lunch Program (Note 4)	10.555	600,899.55
Summer Food Service Program for Children	10.559	3,582.99
<i>Total for Child Nutrition Cluster</i>		974,795.15
Fresh Fruit and Vegetable Program	10.582	77,321.42
Total US Department of Agriculture		1,052,116.57
General Services Administration:		
Pass-Through the SD Federal Property Agency:		
Donation of Federal Surplus Personal Property (Note 5)	39.003	1,523.43
Total General Services Administration		1,523.43
National Foundation on the Arts and Humanities:		
Pass-Through the SD Department of Tourism:		
Promotion of the Arts - Partnership Agreements	45.025	1,076.96
Total National Foundation on the Arts and Humanities		1,076.96
US Department of Education:		
Direct Federal Funding:		
Impact Aid Cluster:		
Impact Aid (Note 3)	84.041	9,129,377.57
<i>Total For Impact Aid Cluster</i>		9,129,377.57
Indian Education - Grants to Local Educational Agencies	84.060	277,206.50
English Language Acquisition Grants	84.365	200,259.18
Pass-Through the SD Department of Education:		
Special Education Cluster:		
Special Education - Grants to States (Note 2)	84.027	572,829.00
Special Education - Preschool Grants	84.173	12,804.00
<i>Total for Special Education Cluster</i>		585,633.00
Title I Grants to Local Educational Agencies (Note 3)	84.010	4,355,772.00
Special Education - Grants for Infants and Families	84.181	3,154.71
Rural Education	84.358	26,279.00
Improving Teacher Quality State Grants	84.367	536,897.00
Total US Department of Education		15,114,578.96
GRAND TOTAL		\$16,169,295.92

SHANNON COUNTY SCHOOL DISTRICT NO. 65-1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

NOTE 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the school and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

NOTE 3: This represents a major federal financial assistance program.

NOTE 4: These amounts reflect cash received. Federal reimbursements are based on approved rates for services provided rather than reimbursement for specific expenditures.

NOTE 5: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the school. (Original acquisition cost is provided by Federal Surplus Property. It is not what the school actually paid for the item.)