

Sioux Falls School District 49-5



Financial Report
June 30, 2014

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Independent Auditor's Report

To the School Board
Sioux Falls School District 49-5
Sioux Falls, 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 discretely presented component unit and remaining fund information of the Sioux Falls School District 49-5 (District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Southeast Technical Institute Housing Foundation, a component unit, which statements reflect total assets, revenue, and net assets constituting 12%, 2% and 2%, respectively, of the aggregate discretely presented component unit and remaining fund information. Those financial statements, which did not expense debt issuance costs as required by accounting principles generally accepted in the United States of America, were audited by other auditors, whose report has been furnished to us. We have applied audit procedures to an adjustment to the financial statements of Southeast Technical Institute Housing Foundation to expense debt issuance costs. Our opinion, insofar as it relates to the amounts included for Southeast Technical Institute Housing Foundation, prior to the debt issuance costs adjustment, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, 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 discretely presented component unit and remaining fund information of the Sioux Falls School District 49-5, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 4 through 16 and 51 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary combining and individual fund statements and schedules on pages 61 through 74, and the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* on pages 75 through 78, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The supplementary combining and individual fund statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary combining and individual fund statements and schedules, and the schedule of expenditures of federal awards are 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 9, 2015 on our consideration of the District's internal control over financial reporting and on 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 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 District's internal control over financial reporting and compliance.

McGladrey LLP

Sioux Falls, South Dakota
January 9, 2015

Sioux Falls School District 49-5

Management's Discussion and Analysis

This section of the annual financial report of the Sioux Falls School District 49-5 (District) presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2014. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The District's net position from governmental and business-type activities decreased by \$6,265,503. Net position decreased as a result of depreciation and other capital outlay expenses in excess of capital outlay revenue of approximately \$6,900,000. Revenue over expenses in other restricted funds was approximately \$4,800,000 offset by revenue under expenses in unrestricted funds of approximately \$4,200,000.
- During the year, the District's total revenues of \$239,547,697 were comprised of general revenues in the amount of \$164,156,379 and program revenues totaling \$75,391,318.
- As of the year ended June 30, 2014, the District's governmental funds reported combined ending fund balances of \$89,465,795, an increase of \$31,450,759 compared with the prior year. This increase is mainly due to receiving \$55,323,270 of proceeds of capital outlay certificates issued during the fiscal year.
- The general fund reported a decrease in fund balance of \$3,903,005, leaving an ending fund balance of \$24,598,013. The unassigned portion of this ending fund balance was \$18,933,434 or 13.19% of total general fund expenditures.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District's government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities that the District operates like businesses, such as food services.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources being reported belong. The fiduciary funds of the District are agency funds. Agency funds are custodial in nature and do not involve measurement of results of operation.

Sioux Falls School District 49-5

Management's Discussion and Analysis

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, each of which are added together and presented in a single column in the basic financial statements.

Figure A-1

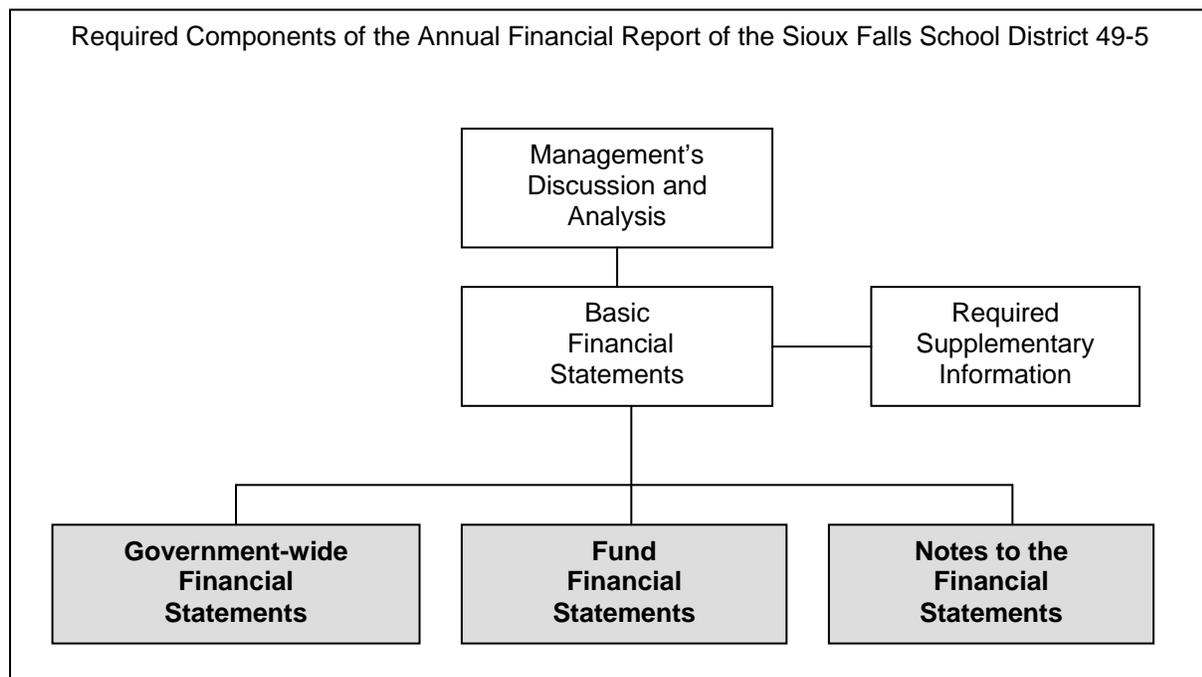


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Sioux Falls School District 49-5

Management’s Discussion and Analysis

Figure A-2 Major Features of Government-wide and Fund Financial Statements

	Fund Financial Statements			
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses, such as food service and adult education	Instances in which the District administers resources on behalf of someone else, such as student-activities monies.
Required financial statements	<ul style="list-style-type: none"> - Statement of Net Position - Statement of Activities 	<ul style="list-style-type: none"> - Balance Sheet - Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> - Statement of Net Position - Statement of Revenues, Expenses, and Changes in Fund Net Position - Statement of Cash Flows 	<ul style="list-style-type: none"> - Statement of Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, liabilities and deferred outflows and inflows of resources; both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter as well as deferred outflows and inflows of resources; no capital assets or long-term debt included	All assets, liabilities and deferred outflows and inflows of resources; both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the District’s funds do not currently contain capital assets although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid.

Sioux Falls School District 49-5

Management's Discussion and Analysis

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities as well as deferred outflows and inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health or position.

- Increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and changes in the state school aid funding formula from the State of South Dakota.

The government-wide financial statements of the District are reported in three categories:

- **Governmental Activities** – This category includes the District's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** – The District charges fees to help cover the costs of providing certain services. Food services, adult education, and bookstore services are the major activities included here.
- **Component Unit** – The District separately reports the activities of Southeast Technical Institute Housing Foundation.

The government-wide financial statements can be found on pages 17 and 18 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant, or "major", funds – not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- State law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes (like paying the District's general obligation bonds, managing construction projects, or managing medical insurance premiums and claims).

The District has three kinds of funds:

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

Fund Financial Statements (Continued)

The Sioux Falls School District maintains nine individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, capital outlay, special education, post-secondary vocational, and capital improvement plan project funds since these are considered major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 19 through 25 of this report.

- Proprietary funds – Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information.
 - Enterprise funds (one type of proprietary fund) are the District's business-type activities reported on the government-wide financial statements, but the fund statements provide more detail and additional information, such as cash flows.
 - Internal service funds (the other kind of proprietary fund) are used to report activities that provide supplies and services for the District's other programs and activities. The District has two internal service funds – the Group Health Insurance Fund and the Reprographics Fund.

The basic proprietary fund financial statements can be found on pages 26 through 28 of this report.

- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as student activities' monies. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

The basic fiduciary fund financial statement can be found on page 29 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 through 50 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This information is in the form of budgetary comparison schedules for the District's four major governmental funds. These schedules are accompanied by notes to the required supplementary information which explain the schedules and contain certain other budgetary information. Required supplementary information and notes can be found on pages 51 through 60 of this report.

The combining statements for the nonmajor funds referred to earlier are presented immediately following the required supplementary information on budgets.

Sioux Falls School District 49-5

Management's Discussion and Analysis

Financial Analysis of the District as a Whole

Net Position

The District's combined net position was as follows:

Table A-1
Sioux Falls School District
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Assets						
Current and other assets	\$ 146,914,251	\$ 182,451,960	\$ 7,356,647	\$ 6,780,607	\$ 154,270,898	\$ 189,232,567
Capital assets, net	236,818,939	251,560,971	4,111,996	4,677,255	240,930,935	256,238,226
Total assets	383,733,190	434,012,931	11,468,643	11,457,862	395,201,833	445,470,793
Deferred outflows of resources	3,098,352	2,618,015	-	-	3,098,352	2,618,015
Liabilities						
Long-term liabilities	111,913,001	160,623,327	112,651	112,411	112,025,652	160,735,738
Other liabilities	29,535,803	33,598,584	801,262	904,810	30,337,065	34,503,394
Total liabilities	141,448,804	194,221,911	913,913	1,017,221	142,362,717	195,239,132
Deferred inflows of resources	48,024,117	51,201,828	-	-	48,024,117	51,201,828
Net Position						
Net investment in capital assets	136,412,552	128,974,595	4,111,996	4,677,255	140,524,548	133,651,850
Restricted	28,847,807	33,625,710	-	-	28,847,807	33,625,710
Unrestricted	32,098,262	28,606,902	6,442,734	5,763,386	38,540,996	34,370,288
Total net position	\$ 197,358,621	\$ 191,207,207	\$ 10,554,730	\$ 10,440,641	\$ 207,913,351	\$ 201,647,848

By far, the largest portion of the District's total assets reflects its investment in capital assets. These capital assets are used to provide educational services; consequently, they are not available for future spending. The District's net investment in capital assets was \$133,651,850. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The increase in total capital assets is a result of construction of a new middle school and other ongoing construction and renovation activities of the Capital Improvement Plan.

Current and other assets increased by \$34,961,669 from June 30, 2013 to June 30, 2014, mainly due to proceeds of capital outlay certificates of \$55,323,270 offset by amounts spent. Liabilities increased by \$52,876,415 mainly due to the issuance of capital outlay certificates.

As of June 30, 2014, the District reported \$33,625,710 of net position that is subject to external restrictions on how they may be used. This restricted net position includes all of the District's special revenue funds, since State statute dictates that this position be used for the specific purposes of the funds, such as for capital outlay, special education and post-secondary education purposes. Restricted net position increased by \$4,777,903 during the year ended June 30, 2014, mainly due to revenues over expenditures in the capital outlay and special education funds.

The \$34,370,288 of unrestricted net position may be used to meet the District's ongoing obligations to students, employees, and creditors.

Sioux Falls School District 49-5

Management's Discussion and Analysis

Financial Analysis of the District as a Whole (Continued)

Changes in Net Position

The District's combined revenues and expenses were as follows:

Table A-2, Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Revenues						
Program revenues						
Charges for services	\$ 12,810,543	\$ 12,426,741	\$ 13,282,413	\$ 13,198,135	\$ 26,092,956	\$ 25,624,876
Operating grants and contributions	43,563,431	43,439,876	6,100,230	6,326,566	49,663,661	49,766,442
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Taxes	99,016,969	101,148,381	-	-	99,016,969	101,148,381
Revenue from state sources	52,992,611	56,457,959	82,668	95,859	53,075,279	56,553,818
Revenue from federal sources	-	-	42,500	-	42,500	-
Other general revenues	7,231,928	5,974,758	1,071	7,025	7,232,999	5,981,783
Unrestricted investment earnings	392,778	471,134	1,389	1,263	394,167	472,397
Total revenues	216,008,260	219,918,849	19,510,271	19,628,848	235,518,531	239,547,697
Expenses						
Instruction	127,932,447	140,978,448	3,723,139	3,768,641	131,655,586	144,747,089
Support services	68,921,890	72,817,685	-	-	68,921,890	72,817,685
Nonprogrammed charges	1,740,345	1,610,901	-	-	1,740,345	1,610,901
Debt service	4,145,133	5,550,012	-	-	4,145,133	5,550,012
Co-curricular activities	5,070,014	4,956,874	-	-	5,070,014	4,956,874
Food services	-	-	9,695,785	10,524,571	9,695,785	10,524,571
Community services	135,379	141,343	2,365,141	2,608,765	2,500,520	2,750,108
Bookstore services	-	-	3,576,194	2,855,960	3,576,194	2,855,960
Total expenses	207,945,208	226,055,263	19,360,259	19,757,937	227,305,467	245,813,200
Increase(decrease) in net position before transfers	8,063,052	(6,136,414)	150,012	(129,089)	8,213,064	(6,265,503)
Transfers	(75,000)	(15,000)	75,000	15,000	-	-
Change in net position	\$ 7,988,052	\$ (6,151,414)	\$ 225,012	\$ (114,089)	\$ 8,213,064	\$ (6,265,503)

Sioux Falls School District 49-5

Management's Discussion and Analysis

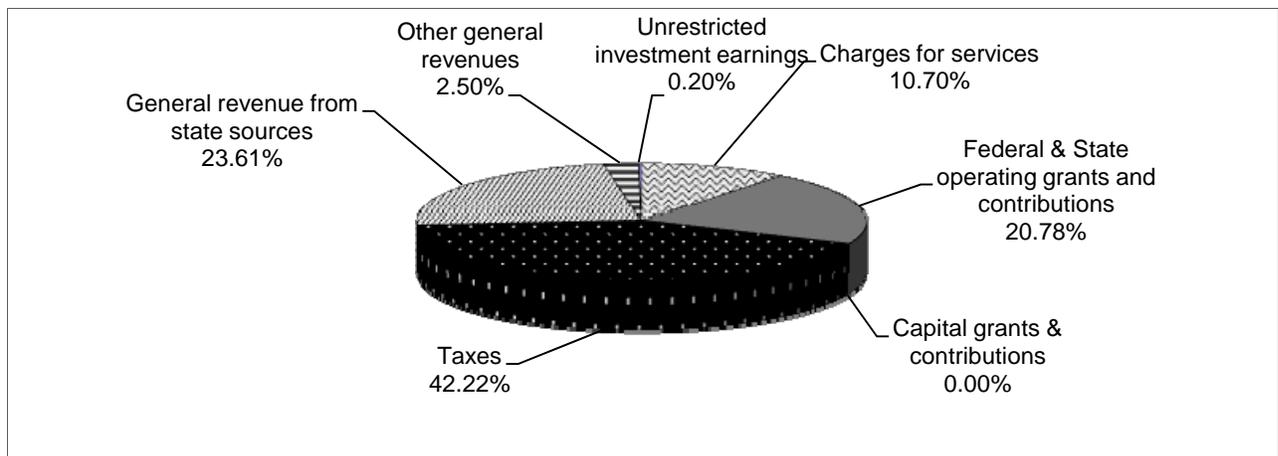
Financial Analysis of the District as a Whole (Continued)

Changes in Net Position (continued)

The District's total revenues increased by \$4,029,166 mainly due to an increase in general revenues of \$4,394,465 due primarily to increases in federal and state funding.

Almost one-half of the District's revenue comes from property and other taxes, and approximately one-fifth coming from general state aid. (See Figure A-3).

Figure A-3, Sioux Falls School District, Sources of Revenues for Fiscal Year 2014



Sioux Falls School District 49-5

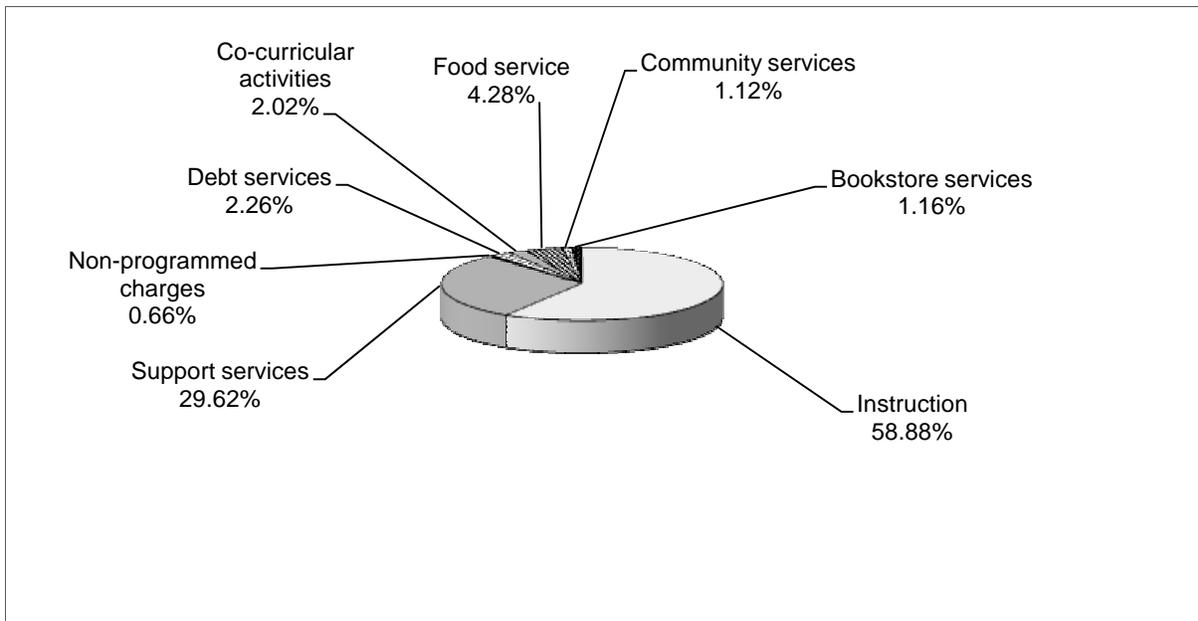
Management's Discussion and Analysis

Financial Analysis of the District as a Whole (Continued)

Changes in Net Position (continued)

The District's total expenses for 2014 were \$245,813,200, representing an increase of \$18,507,733, mostly due to an increase in salaries and benefits of \$14,656,867 and an increase in debt service of \$1,404,879. Over half of the total expenses were spent on instruction with approximately one-third for support services. (See Figure A-4)

Figure A-4, Sioux Falls School District, Functional Expense for Fiscal Year 2014



Sioux Falls School District 49-5

Management's Discussion and Analysis

Financial Analysis of the District's Funds

Governmental Funds

The focus of the Sioux Falls School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$89,465,795, an increase of \$31,450,759 compared to the prior year. Approximately 21% of the ending fund balances, or \$18,933,434, constitutes unassigned fund balances, which are generally available for spending at the District's discretion. Approximately 6%, or \$5,181,729, constitutes assigned fund balance, for financing next year's budget in the general fund. Committed fund balances include \$12,737 committed for superintendent deferred compensation. Restricted fund balances are amounts restricted to specific purposes by law or creditors and include amounts in special revenue funds that can be spent at the District's discretion within the purposes of the funds. These restricted special revenue fund balances are within the 1) capital outlay fund \$13,030,661; 2) special education fund \$7,880,827; and 3) post-secondary vocational fund \$8,361,239. Restricted fund balances restricted for specific purposes include 1) debt service \$8,075,011 and 2) construction projects \$27,485,339. The remainder of the fund balances are amounts that cannot be spent and consist of \$504,818 of inventory and prepaid expenses.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$18,933,434, while total fund balance was \$24,598,013. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 13.19% of total general fund expenditures, while total fund balance represents 17.14% of that same amount.

The fund balance of the District's general fund decreased by \$3,903,005 during the current fiscal year. Key factors in the amount of this decrease are as follows:

- The District had originally budgeted to decrease fund balance by \$6,542,007 which was supplementally revised to use approximately \$7,098,000 of cash from fund balance for the current fiscal year. However, total expenditures were under budget by approximately \$2,960,000, including \$2,760,000 in salaries.

The fund balance of the District's capital outlay fund increased by \$3,113,420 during the current fiscal year to \$18,524,840 as of June 30, 2014. The District had budgeted to decrease fund balance by approximately \$770,000. However, other financing sources were approximately \$3,600,000 over budget mainly due to issuance of capital outlay certificates.

The fund balance of the District's special education fund increased by \$2,462,966 to \$7,906,777 as of June 30, 2014. The District had budgeted to use approximately \$994,000 of cash from fund balance. However, total expenditures were approximately \$1,100,000 under budget, mainly in salaries and purchased services. In addition, revenues were over budget by approximately \$2,370,000, mainly in federal revenue.

Sioux Falls School District 49-5

Management's Discussion and Analysis

Financial Analysis of the District's Funds (Continued)

Governmental Funds (continued)

The fund balance of the District's post-secondary vocational fund increased by \$200,320 to \$8,366,958 as of June 30, 2014. The District had budgeted to use approximately \$1,100,000 of cash from fund balance. However, total expenditures were approximately \$6,200,000 under budget, mainly in capital acquisitions.

The fund balance of the District's capital improvement plan project fund increased by \$18,370,625 to \$18,533,341 as of June 30, 2014. This is mainly due to the issuance of capital outlay certificates offset by amounts spent on construction projects during the year.

Proprietary Funds

The District's enterprise funds showed a decrease in net position of \$114,089, to \$10,440,641 as of June 30, 2014, due primarily to the food service fund. The District's internal service funds saw an increase in net position of \$1,015,492, including an increase in the group health insurance fund's net position of \$961,023. The fund's net position was \$10,020,186 as of June 30, 2014. This represents approximately 38% of total expenses and will be used for cash flow purposes and as a reserve to cover possible future claims in excess of premiums.

General Budgetary Highlights

Over the course of the year, the School Board revised the District's budget several times. These amendments are primarily for supplemental revenues received after the original budget was adopted and for increases in appropriations to prevent budget overruns. Significant differences between the original budget and the final amended budget are summarized as follows:

- Increase of approximately \$3,400,000 in other local sources and related expenditures primarily due to contributions from District agency accounts and outside organizations not in the original budget.
- Increase of approximately \$1,800,000 in federal revenues and related expenditures due to additional federal grants received after the original budget was adopted.

Capital Asset Administration

As of June 30, 2014, the District had invested \$256,238,226 in a broad range of capital assets, including land, land improvements, buildings, construction in progress, and various machinery and equipment. (See Table A-3.) This amount represents a net increase (including additions, deductions, and depreciation) of \$15,307,291, or 6.35% over last year. This year's capital asset purchases were primarily construction and remodeling of buildings as part of the Capital Improvement Plan and construction of a new middle school. Additional information regarding the District's capital assets can be found in Note 6 to the financial statements.

Sioux Falls School District 49-5

Management's Discussion and Analysis

Capital Asset Administration (Continued)

Table A-3
Sioux Falls School District 49-5 – Capital Assets, Net

	Governmental Activities		Business-Type Activities		Total Dollar	Total Percentage
	2013	2014	2013	2014	Change	Change
					2013-2014	2013-2014
Land	\$ 11,237,098	\$ 11,219,813	\$ -	\$ -	\$ (17,285)	-0.15%
Land improvements	5,992,883	5,642,944	3,138	3,958	(349,119)	-5.82%
Buildings	190,490,139	185,785,753	2,632,191	3,092,417	(4,244,160)	-2.20%
Machinery and equipment	8,274,711	8,458,648	1,476,667	1,580,880	288,150	2.95%
Construction in progress	20,824,108	40,453,813	-	-	19,629,705	94.26%
Totals	\$ 236,818,939	\$ 251,560,971	\$ 4,111,996	\$ 4,677,255	\$ 15,307,291	6.35%

Long-Term Liabilities

At year end, the District had \$160,735,738 in capital outlay certificates, general obligation bonds, and other long-term obligations. This is an increase of 43.48% as shown in Table A-4 below.

Table A-4
Sioux Falls School District 49-5 – Outstanding Debt and Obligations

	Governmental Activities		Business-Type Activities		Total Dollar	Total
	2013	2014	2013	2014	Change	Percentage
					2013-2014	2013-2014
Capital outlay certificates	\$ 88,179,011	\$ 139,163,389	\$ -	\$ -	\$ 50,984,378	57.82%
General obligation bonds	15,325,728	13,526,339	-	-	(1,799,389)	-11.74%
Other postemployment benefits	2,532,000	2,902,000	-	-	370,000	14.61%
Early retirement plan obligation	4,313,242	3,324,176	-	-	(989,066)	-22.93%
Accrued vacation	1,563,020	1,707,423	112,651	112,411	144,163	8.60%
Totals	\$ 111,913,001	\$ 160,623,327	\$ 112,651	\$ 112,411	\$ 48,710,086	43.48%

The District's outstanding bonds and certificates carry ratings of Aaa when covered by bond insurance and ratings of Aa2 and Aa3 when not covered by bond insurance. The ratings were issued by Moody's Investors Services.

The District maintains an early retirement plan for teachers and administrators, which allows those meeting certain qualifications to retire early and receive from 80% to 90% of their last year's salary in equal payments spread over the next five years. This plan allows the District to reduce the overall program cost by hiring lower-paid employees to replace the higher-paid employees.

Additional information regarding the District's long-term liabilities can be found in Note 7 to the financial statements.

Sioux Falls School District 49-5

Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

For taxes payable in 2015, the District experienced an increase in total property valuation of approximately \$440 million or 4.8% from the prior year. With the exception of the general fund, the increase in property valuation affects the District's ability to increase the revenue generated from property taxes; however, the District is far below the maximum amount it can levy for capital outlay.

For the general fund, one of the primary sources of revenue to the District is based on a per-student allocation received from the State of South Dakota. This per-student allocation is based on the current year's fall enrollment count and, by law, is supposed to increase each year by the lesser of the rate of inflation or three percent. The fall 2013 enrollment count was 22,601. The state aid formula for fiscal year 2013-14 ensured that property taxes plus state aid equaled \$4,626 per pupil. The allocation for fiscal year 2014-15 is \$4,781 per pupil. Since the funding formula was implemented in 1997-98, the annual increases in the allocation have not always kept up with the increases in costs of education, primarily salary and benefit increases. During fiscal year 2002-03, the School Board passed a resolution to opt out of the State funding limitation in the amount of \$3.5 million in order to maintain District programs at the current level and allow for the day-to-day costs of a new elementary school. This opt-out resolution was passed in a public election and was originally scheduled to sunset at the end of calendar year 2007.

In preparation of the \$3.5 million reduction in annual revenues related to the end of the 2002-03 opt-out, the District convened a panel of ten local experienced business leaders to study and evaluate the Sioux Falls School District's current liquid position, current and projected level of expenditures, and any efficiencies that could be obtained. Upon completion of their evaluation, the panel was asked to make recommendations to improve and strengthen the District's financial operations. The panel recommended that the District maintain a general fund balance at or near 8.5% of annual expenditures, reduce the opt-out amount to \$3.2 million, and extend it through calendar year 2012. During fiscal year 2005-06, the School Board passed a resolution to adopt the panel's recommendations. The lowered and extended opt-out was not referred to a public vote. For fiscal year 2007-08, the Board reduced the amount of the opt-out to \$2.7 million.

In response to a freeze in the formula during the 2010 legislative session, a second iteration of this panel recommended the School Board increase the opt-out to \$5 million and extend it through 2018. The Board adopted this recommendation but only accessed \$2.7 million for fiscal year 2011. In response to the 8.6% cut in the per-student allocation during the 2011 legislative session, the panel recommended, and the Board approved, a 10-year, \$7.5 million per year opt-out beginning in 2012.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Sioux Falls School District's Finance Office, 201 East 38th Street, Sioux Falls, South Dakota 57105-5898.

Sioux Falls School District 49-5

Statement of Net Position
June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	STI Housing Foundation
Assets and Deferred Outflows of Resources				
Assets				
Cash	\$ 122,552,233	\$ 5,996,865	\$ 128,549,098	\$ 585,631
Taxes receivable, net	50,396,347	-	50,396,347	-
Other receivables	1,201,601	148,622	1,350,223	15,328
Due from other governments	7,440,338	152,159	7,592,497	-
Internal balances	324,488	(324,488)	-	-
Inventories	332,689	807,449	1,140,138	-
Prepaid expenses	204,264	-	204,264	11,095
Investments	-	-	-	1,061,279
Capital assets:				
Land and construction in progress	51,673,626	-	51,673,626	-
Other capital assets, net of accumulated depreciation	199,887,345	4,677,255	204,564,600	3,619,096
Total assets	434,012,931	11,457,862	445,470,793	5,292,429
Deferred outflows of resources				
Deferred charge on refunding	2,618,015	-	2,618,015	-
Total assets and deferred outflows of resources	\$ 436,630,946	\$ 11,457,862	\$ 448,088,808	\$ 5,292,429
Liabilities, Deferred Inflows of Resources and Net Position				
Liabilities				
Accounts payable	\$ 8,500,118	\$ 66,612	\$ 8,566,730	\$ 89,727
Accrued wages and related benefits payable	21,560,671	621,515	22,182,186	-
Accrued interest payable	3,124,356	-	3,124,356	120,500
Unearned revenue and deposits	413,439	216,683	630,122	-
Non-current liabilities:				
Due within one year	11,669,994	112,411	11,782,405	132,903
Due in more than one year	148,953,333	-	148,953,333	4,725,473
Total liabilities	194,221,911	1,017,221	195,239,132	5,068,603
Deferred inflows of resources				
Taxes levied for future periods	51,201,828	-	51,201,828	-
Net Position				
Net investment in capital assets	128,974,595	4,677,255	133,651,850	(993,857)
Restricted for:				
Capital outlay	13,113,974	-	13,113,974	-
Special education	7,428,174	-	7,428,174	-
Post secondary	7,996,675	-	7,996,675	-
Debt service	5,078,294	-	5,078,294	-
Pension	8,593	-	8,593	-
Unrestricted	28,606,902	5,763,386	34,370,288	1,217,683
Total net position	191,207,207	10,440,641	201,647,848	223,826
Total liabilities, deferred inflows of resources and net position	\$ 436,630,946	\$ 11,457,862	\$ 448,088,808	\$ 5,292,429

See Notes to Financial Statements.

Sioux Falls School District 49-5

Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit STI Housing Foundation
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
Instruction	\$ 140,978,448	\$ 12,187,307	\$ 41,726,086	\$ -	\$ (87,065,055)	\$ -	\$ (87,065,055)	\$ -
Support services	72,817,685	-	70,466	-	(72,747,219)	-	(72,747,219)	-
Community services	141,343	-	-	-	(141,343)	-	(141,343)	-
Nonprogrammed charges	1,610,901	-	-	-	(1,610,901)	-	(1,610,901)	-
Interest on long-term debt	5,550,012	-	-	-	(5,550,012)	-	(5,550,012)	-
Co-curricular activities	4,956,874	239,434	1,643,324	-	(3,074,116)	-	(3,074,116)	-
Total governmental activities	226,055,263	12,426,741	43,439,876	-	(170,188,646)	-	(170,188,646)	-
Business-type activities:								
Food services	10,524,571	3,816,425	6,326,566	-	-	(381,580)	(381,580)	-
Community services	2,608,765	2,772,472	-	-	-	163,707	163,707	-
Bookstore services	2,855,960	2,925,373	-	-	-	69,413	69,413	-
Instruction	3,768,641	3,683,865	-	-	-	(84,776)	(84,776)	-
Total business-type activities	19,757,937	13,198,135	6,326,566	-	-	(233,236)	(233,236)	-
Total primary government	\$ 245,813,200	\$ 25,624,876	\$ 49,766,442	\$ -	(170,188,646)	(233,236)	(170,421,882)	-
Component Unit:								
STI Housing Foundation	\$ 997,576	\$ 990,774	\$ -	\$ -	-	-	-	(6,802)
General Revenues:								
Property taxes					101,148,381	-	101,148,381	-
Revenue from state sources not restricted to specific programs - State aid					50,875,585	-	50,875,585	-
Other					5,582,374	95,859	5,678,233	-
Grants and contributions not restricted to specific programs					831,265	-	831,265	-
Unrestricted investment earnings					471,134	1,263	472,397	5,052
Other general revenue					5,143,493	7,025	5,150,518	(10,430)
Transfers					(15,000)	15,000	-	-
Total general revenues and transfers					164,037,232	119,147	164,156,379	(5,378)
Change in net position					(6,151,414)	(114,089)	(6,265,503)	(12,180)
Net position - beginning					197,358,621	10,554,730	207,913,351	236,006
Net position - ending					\$ 191,207,207	\$ 10,440,641	\$ 201,647,848	\$ 223,826

See Notes to Financial Statements.

Sioux Falls School District 49-5

Balance Sheet
Governmental Funds
June 30, 2014

Assets	General	Capital Outlay	Special Education	Post Secondary Vocational	Capital Improvement Plan Project	Other Governmental Funds	Total Governmental Funds
Cash	\$ 38,221,087	\$ 19,876,839	\$ 10,850,076	\$ 8,178,577	\$ 20,605,441	\$ 14,537,957	\$ 112,269,977
Current taxes receivable, net	31,950,360	9,081,554	5,880,643	-	-	2,754,434	49,666,991
Delinquent taxes receivable, net	413,516	108,404	63,490	-	-	143,946	729,356
Accounts receivable, net	532,705	25,344	6,526	616,894	-	-	1,181,469
Due from other funds	-	-	-	207,389	-	-	207,389
Due from other governments	5,025,286	438	1,358,609	1,056,005	-	-	7,440,338
Interest receivable	20,000	-	-	-	-	-	20,000
Inventory and prepaid expenses	470,113	3,036	25,950	5,719	-	-	504,818
Total assets	\$ 76,633,067	\$ 29,095,615	\$ 18,185,294	\$ 10,064,584	\$ 20,605,441	\$ 17,436,337	\$ 172,020,338
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities:							
Accounts payable	\$ 1,185,795	\$ 1,081,175	\$ 491,735	\$ 683,114	\$ 2,072,100	\$ 2,933,790	\$ 8,447,709
Accrued wages and related benefits payable	15,348,133	-	3,129,189	445,594	-	-	18,922,916
Due to other funds	1,740,038	-	401,622	158,955	-	-	2,300,615
Unearned revenue	-	-	-	409,963	-	-	409,963
Total liabilities	18,273,966	1,081,175	4,022,546	1,697,626	2,072,100	2,933,790	30,081,203
Deferred inflows of resources:							
Taxes levied for a future period	32,869,167	9,409,325	6,092,887	-	-	2,830,449	51,201,828
Unavailable revenue - property taxes	316,018	80,275	47,484	-	-	136,232	580,009
Other deferred inflows of resources	575,903	-	115,600	-	-	-	691,503
Total deferred inflows of resources	33,761,088	9,489,600	6,255,971	-	-	2,966,681	52,473,340
Fund Balances:							
Nonspendable:							
Inventory and prepaid expenses	470,113	3,036	25,950	5,719	-	-	504,818
Restricted for:							
Debt service	-	5,491,143	-	-	-	2,583,868	8,075,011
Construction projects	-	-	-	-	18,533,341	8,951,998	27,485,339
Capital outlay purposes	-	13,030,661	-	-	-	-	13,030,661
Special education purposes	-	-	7,880,827	-	-	-	7,880,827
Post-secondary vocational purposes	-	-	-	8,361,239	-	-	8,361,239
Committed:							
Superintendent deferred compensation	12,737	-	-	-	-	-	12,737
Assigned:							
Next year's budget	5,181,729	-	-	-	-	-	5,181,729
Unassigned	18,933,434	-	-	-	-	-	18,933,434
Total fund balances	24,598,013	18,524,840	7,906,777	8,366,958	18,533,341	11,535,866	89,465,795
Total liabilities, deferred inflows of resources and fund balances	\$ 76,633,067	\$ 29,095,615	\$ 18,185,294	\$ 10,064,584	\$ 20,605,441	\$ 17,436,337	\$ 172,020,338

See Notes to Financial Statements.

Sioux Falls School District 49-5

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2014**

Total fund balances - governmental funds	\$ 89,465,795
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	251,560,971
Delinquent taxes receivable not available to pay current year expenditures are recorded as deferred inflows in the funds.	580,009
Long-term liabilities, including bonds payable, other postemployment benefits, early retirement obligation, and accrued vacation are not due and payable in the current period and, therefore, are not reported in the funds.	(160,623,327)
Certain federal and state receivables are not available to pay for current period expenditures and, therefore, are recorded as deferred inflows in the funds.	688,027
Debt refunding charges are reported as expenditures in the governmental funds; however, they are recorded as deferred outflows on the statement of net position and amortized over the life of the debt.	2,618,015
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.	(3,124,356)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	10,042,073
Net position - governmental activities	<u><u>\$ 191,207,207</u></u>

See Notes to Financial Statements.

Sioux Falls School District 49-5

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2014

	General	Capital Outlay	Special Education	Post Secondary Vocational	Capital Improvement Plan Project	Other Governmental Funds	Total Governmental Funds
Revenues							
Local sources:							
Taxes	\$ 65,841,674	\$ 18,688,386	\$ 11,444,735	\$ -	\$ -	\$ 5,358,959	\$ 101,333,754
Tuition and fees	395,192	44,250	197,709	11,517,436	-	-	12,154,587
Earnings on investments and deposits	236,125	45,604	31,260	22,749	63,074	40,211	439,023
Co-curricular activities	239,434	-	-	-	-	-	239,434
Other	5,932,293	460,971	826,202	497,976	64,130	-	7,781,572
Total local sources	72,644,718	19,239,211	12,499,906	12,038,161	127,204	5,399,170	121,948,370
Intermediate sources, county apportionment	1,013,268	-	-	-	-	-	1,013,268
State sources:							
Unrestricted grants in aid:							
State aid	50,875,585	-	-	-	-	-	50,875,585
State apportionment	1,517,949	-	-	-	-	-	1,517,949
Bank franchise taxes	2,185,428	-	-	-	-	-	2,185,428
Restricted grants in aid	16,356	-	15,022,607	7,121,249	-	-	22,160,212
Tuition	-	-	21,357	-	-	-	21,357
Other	135,826	-	9,712	1,733,459	-	-	1,878,997
Total state sources	54,731,144	-	15,053,676	8,854,708	-	-	78,639,528
Federal sources:							
Restricted grants in aid:							
Received directly from federal government	2,450,247	26,912	-	-	-	-	2,477,159
Received from federal government through the state	8,597,097	183,856	7,077,527	975,372	-	-	16,833,852
Other federal revenue	1,975	761,631	-	629,135	-	-	1,392,741
Total federal sources	11,049,319	972,399	7,077,527	1,604,507	-	-	20,703,752
Other	173,870	-	-	-	-	-	173,870
Total revenues	139,612,319	20,211,610	34,631,109	22,497,376	127,204	5,399,170	222,478,788
Expenditures							
Current:							
Instruction:							
Regular programs:							
Elementary programs	37,890,555	-	-	-	-	292,833	38,183,388
Middle school programs	18,104,283	-	-	-	-	292,833	18,397,116
High school programs	21,692,548	-	-	-	-	292,833	21,985,381
Total regular programs	77,687,386	-	-	-	-	878,499	78,565,885

(continued)

Sioux Falls School District 49-5

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2014

	General	Capital Outlay	Special Education	Post Secondary Vocational	Capital Improvement Plan Project	Other Governmental Funds	Total Governmental Funds
Special programs:							
Programs for the gifted and talented	770,292	-	-	-	-	-	770,292
Programs for mild disabilities	-	-	11,683,386	-	-	-	11,683,386
Programs for severe disabilities	-	87,816	5,298,049	-	-	-	5,385,865
Day programs	-	1,060	2,609,175	-	-	-	2,610,235
Residential programs	-	-	182,180	-	-	-	182,180
Early childhood programs	-	-	1,582,271	-	-	-	1,582,271
Prolonged assistance programs	-	-	421,717	-	-	-	421,717
Programs for the culturally different	3,357,618	-	-	-	-	-	3,357,618
Programs for the educationally deprived	4,837,353	-	-	-	-	-	4,837,353
Other	4,274,258	104,321	1,149,194	-	-	-	5,527,773
Total special programs	13,239,521	193,197	22,925,972	-	-	-	36,358,690
Adult/continuing education programs:							
Adult basic education programs	-	-	-	277,832	-	-	277,832
Adult continuing education programs	-	-	-	67,859	-	-	67,859
Total adult/continuing education programs	-	-	-	345,691	-	-	345,691
Post-secondary occupational programs	-	-	-	10,448,611	-	-	10,448,611
Total instruction	90,926,907	193,197	22,925,972	10,794,302	-	878,499	125,718,877
Support services:							
Pupils:							
Attendance and social work services	585,781	-	-	-	-	-	585,781
Guidance services	3,806,243	-	-	236,588	-	-	4,042,831
Health services	749,535	-	700	-	-	-	750,235
Speech pathology services	-	-	1,787,106	-	-	-	1,787,106
Student therapy services	-	-	1,416,135	-	-	-	1,416,135
Orientation and mobility services	-	-	122,073	-	-	-	122,073
Total pupils	5,141,559	-	3,326,014	236,588	-	-	8,704,161
Instructional staff:							
Improvement of instructional services	3,774,702	-	33,406	976,799	-	-	4,784,907
Educational media services	3,070,576	-	-	89,026	-	-	3,159,602
Total instructional staff	6,845,278	-	33,406	1,065,825	-	-	7,944,509
General and administrative:							
Board of Education services	825,777	-	-	156,402	-	-	982,179
Executive administration services	1,268,879	-	-	-	-	-	1,268,879
Total general and administrative	2,094,656	-	-	156,402	-	-	2,251,058

(continued)

Sioux Falls School District 49-5

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2014

	General	Capital Outlay	Special Education	Post Secondary Vocational	Capital Improvement Plan Project	Other Governmental Funds	Total Governmental Funds
School administration:							
Office of the principal services	9,589,798	-	-	-	-	-	9,589,798
Other	919,296	-	-	3,940,493	-	-	4,859,789
Total school administration	10,509,094	-	-	3,940,493	-	-	14,449,587
Business:							
Fiscal services	1,267,422	954,710	-	464,473	-	500	2,687,105
Facilities acquisition	-	-	-	344,944	44,845	-	389,789
Operation and maintenance of plant	16,396,479	1,473	-	1,483,732	-	-	17,881,684
Pupil transportation services	3,345,128	416,710	-	-	-	-	3,761,838
Food services	494,044	-	-	-	-	-	494,044
Internal services	4,208	-	-	-	-	-	4,208
Total business	21,507,281	1,372,893	-	2,293,149	44,845	500	25,218,668
Central:							
Planning and research	214,755	-	-	-	-	-	214,755
Data processing services	2,075,593	-	-	1,489,207	-	-	3,564,800
Total central	2,290,348	-	-	1,489,207	-	-	3,779,555
Special education:							
Administrative costs	-	-	1,651,502	-	-	-	1,651,502
Transportation costs	-	-	1,816,351	-	-	-	1,816,351
Other	-	-	2,162,968	-	-	-	2,162,968
Total special education	-	-	5,630,821	-	-	-	5,630,821
Total support services	48,388,216	1,372,893	8,990,241	9,181,664	44,845	500	67,978,359
Community Services:							
Nonpublic Schools	138,841	-	-	-	-	-	138,841
Other	716	-	-	-	-	-	716
Total community services	139,557	-	-	-	-	-	139,557
Nonprogrammed charges:							
Unemployment payments	8,086	-	-	7,825	-	-	15,911
Early retirement payments	-	-	241,895	58,337	-	1,809,258	2,109,490
Payments to other educational institutions	-	474,566	-	-	-	-	474,566
Total nonprogrammed charges	8,086	474,566	241,895	66,162	-	1,809,258	2,599,967
Co-curricular activities:							
Male activities	1,123,038	2,635	-	-	-	-	1,125,673
Female activities	799,163	-	-	-	-	-	799,163
Combined activities	1,935,181	-	-	9,121	-	-	1,944,302
Total co-curricular activities	3,857,382	2,635	-	9,121	-	-	3,869,138

(continued)

Sioux Falls School District 49-5

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2014

	General	Capital Outlay	Special Education	Post Secondary Vocational	Capital Improvement Plan Project	Other Governmental Funds	Total Governmental Funds
Other	196,288	-	-	-	-	-	196,288
Debt service:							
Principal	-	3,645,000	-	-	-	1,720,000	5,365,000
Interest	-	4,141,421	-	-	-	693,125	4,834,546
Total debt service	-	7,786,421	-	-	-	2,413,125	10,199,546
Capital Outlay	-	9,565,997	10,035	2,230,832	16,331,223	8,031,866	36,169,953
Total expenditures	143,516,436	19,395,709	32,168,143	22,282,081	16,376,068	13,133,248	246,871,685
Revenues over (under) expenditures	(3,904,117)	815,901	2,462,966	215,295	(16,248,864)	(7,734,078)	(24,392,897)
Other financing sources (uses)							
Transfers in	-	-	-	5,000	-	-	5,000
Transfers out	-	-	-	(20,000)	-	-	(20,000)
Capital outlay certificates issued	-	1,763,270	-	-	34,619,489	18,940,511	55,323,270
Sale of surplus property	1,112	534,249	-	25	-	-	535,386
Total other financing sources (uses)	1,112	2,297,519	-	(14,975)	34,619,489	18,940,511	55,843,656
Net change in fund balances	(3,903,005)	3,113,420	2,462,966	200,320	18,370,625	11,206,433	31,450,759
Fund balance - beginning	28,501,018	15,411,420	5,443,811	8,166,638	162,716	329,433	58,015,036
Fund balance - ending	\$ 24,598,013	\$ 18,524,840	\$ 7,906,777	\$ 8,366,958	\$ 18,533,341	\$ 11,535,866	\$ 89,465,795

See Notes to Financial Statements.

Sioux Falls School District 49-5

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2014**

Net change in fund balances - total governmental funds	\$ 31,450,759
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of certain assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capitalized capital outlays (\$25,529,232) exceeded depreciation (\$10,268,729) in the current period.	15,260,503
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(185,373)
In the statement of activities, the gain on disposition of assets is reported net of the carrying value of the assets removed, whereas in the governmental funds, the entire proceeds of the sales are reported as revenue.	(521,262)
The issuance of long-term debt (\$54,000,000 par value) provides current financial resources to governmental funds, while the repayment and defeasance of the principal of long-term debt (\$5,365,000) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position in the government-wide financial statements. Also, governmental funds report the effect of premiums, discounts, and similar items (\$983,045) when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(49,618,045)
Debt issuance costs were expensed in the year incurred in the governmental funds but were deferred and amortized over the life of the debt in the government-wide financial statements. GASB 65 requires these costs to be expensed in the year incurred in the government-wide financial statements. Therefore, the balance of the deferred debt issuance costs has been reported as an expenditure in the government-wide statement of activities.	(598,940)
The recognition of certain federal and state revenues in the governmental funds differ from the recognition of governmental activities in that the revenue accruals in the fund financial statement require amounts to be "available".	(2,420,801)
Governmental funds do not reflect the change in accrued leave (including early retirement), but the statement of activities reflects the change in accrued leave through expenses.	844,663
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.	(1,378,410)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	1,015,492
Change in net position of governmental activities	<u>\$ (6,151,414)</u>

See Notes to Financial Statements.

Sioux Falls School District 49-5

Statement of Net Position
Proprietary Funds
June 30, 2014

Assets	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Food Service	Other Enterprise	Totals	
Assets				
Current Assets:				
Cash	\$ 2,032,740	\$ 3,964,125	\$ 5,996,865	\$ 10,282,256
Accounts receivable	8,282	140,340	148,622	132
Due from other funds	-	-	-	2,419,408
Due from other governments	52,372	99,787	152,159	-
Inventory and prepaid expenses	288,218	519,231	807,449	32,135
Total current assets	2,381,612	4,723,483	7,105,095	12,733,931
Noncurrent Assets:				
Capital assets:				
Buildings and improvements	5,585,864	23,720	5,609,584	-
Improvements other than buildings	-	6,866	6,866	-
Machinery and equipment-local funds	4,714,622	1,037,700	5,752,322	383,230
Machinery and equipment-federal assistance	3,375	-	3,375	-
Less accumulated depreciation	(5,974,234)	(720,658)	(6,694,892)	(264,468)
Total capital assets (net of accumulated depreciation)	4,329,627	347,628	4,677,255	118,762
Total assets	\$ 6,711,239	\$ 5,071,111	\$ 11,782,350	\$ 12,852,693
Liabilities, Deferred Inflows of Resources and Net Position				
Current liabilities:				
Accounts payable	\$ 80,828	\$ (14,216)	\$ 66,612	\$ 52,409
Accrued wages and related benefits payable	140,009	593,917	733,926	17,755
Incurred but not reported claims	-	-	-	2,620,000
Due to other funds	61,211	263,277	324,488	1,694
Unearned revenue and deposits	188,968	27,715	216,683	-
Total liabilities	471,016	870,693	1,341,709	2,691,858
Net Assets				
Net investment in capital assets	4,329,627	347,628	4,677,255	118,762
Unrestricted	1,910,596	3,852,790	5,763,386	10,042,073
Total net position	6,240,223	4,200,418	10,440,641	10,160,835
Total liabilities, deferred inflows of resources and net position	\$ 6,711,239	\$ 5,071,111	\$ 11,782,350	\$ 12,852,693

See Notes to Financial Statements.

Sioux Falls School District 49-5

Statement of Revenues, Expenses and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Food Service	Other Enterprise	Totals	
Operating Revenue				
Food sales	\$ 3,815,905	\$ -	\$ 3,815,905	\$ -
Tuition	-	3,460,238	3,460,238	-
Charges equivalent to insurance premiums	-	-	-	27,722,835
Other	520	5,921,472	5,921,992	(84,756)
Total operating revenue	3,816,425	9,381,710	13,198,135	27,638,079
Operating Expenses				
Salaries	3,420,779	4,465,895	7,886,674	134,624
Employee benefits	1,053,074	1,084,521	2,137,595	36,836
Purchased services	362,460	448,608	811,068	2,781,518
Supplies	335,732	337,882	673,614	76,086
Non-capitalized equipment	3,997	-	3,997	-
Cost of sales - purchases	4,085,916	2,586,125	6,672,041	-
Cost of sales - donated food	767,322	-	767,322	-
Insurance claims	-	-	-	23,566,892
Miscellaneous	120,088	213,686	333,774	-
Depreciation - local funds	375,203	96,649	471,852	58,742
Total operating expenses	10,524,571	9,233,366	19,757,937	26,654,698
Operating income (loss)	(6,708,146)	148,344	(6,559,802)	983,381
Nonoperating Revenues (Expenses)				
Local sources:				
Investment earnings	1,263	-	1,263	32,111
Gain (loss) on disposal of capital assets	1,750	5,275	7,025	-
State sources:				
Other state revenue	45,449	50,410	95,859	-
Federal sources:				
Grants	5,535,461	-	5,535,461	-
Donated commodities	791,105	-	791,105	-
Total nonoperating revenues	6,375,028	55,685	6,430,713	32,111
Income (loss) before transfers	(333,118)	204,029	(129,089)	1,015,492
Transfers in, net	-	15,000	15,000	-
Change in net position	(333,118)	219,029	(114,089)	1,015,492
Net position - beginning	6,573,341	3,981,389	10,554,730	9,145,343
Net position - ending	\$ 6,240,223	\$ 4,200,418	\$ 10,440,641	\$ 10,160,835

See Notes to Financial Statements.

Sioux Falls School District 49-5

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Food Service	Other Enterprise	Totals	
Cash Flows From Operating Activities				
Receipts from customers	\$ 3,813,085	\$ 9,515,499	\$ 13,328,584	\$ -
Interfund receipts	-	-	-	28,065,836
Payments to suppliers	(4,819,952)	(3,739,869)	(8,559,821)	(2,844,225)
Payments to employees	(4,496,410)	(5,442,841)	(9,939,251)	(175,989)
Claims paid	-	-	-	(23,816,892)
Other receipts	-	-	-	1,819
Net cash provided by (used in) operating activities	(5,503,277)	332,789	(5,170,488)	1,230,549
Cash Flows From Noncapital Financing Activities				
Federal and State operating subsidies	5,591,619	51,196	5,642,815	-
Transfers from other funds	-	15,000	15,000	-
Net cash provided by noncapital financing activities	5,591,619	66,196	5,657,815	-
Cash Flows From Capital and Related Financing Activities				
Purchase of capital assets	(994,373)	(47,163)	(1,041,536)	(61,533)
Proceeds from sale of capital assets	1,750	9,700	11,450	-
Net cash used in capital and related financing activities	(992,623)	(37,463)	(1,030,086)	(61,533)
Cash Flows From Investing Activities				
Interest earnings	1,263	-	1,263	32,111
Net cash provided by investing activities	1,263	-	1,263	32,111
Net increase (decrease) in cash and cash equivalents	(903,018)	361,522	(541,496)	1,201,127
Cash - beginning	2,935,758	3,602,603	6,538,361	9,081,129
Cash - ending	\$ 2,032,740	\$ 3,964,125	\$ 5,996,865	\$ 10,282,256
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities				
Operating income (loss)	\$ (6,708,146)	\$ 148,344	\$ (6,559,802)	\$ 983,381
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Donated commodities used	767,322	-	767,322	-
Depreciation expense	375,203	96,649	471,852	58,742
Changes in assets and liabilities:				
(Increase) decrease in receivables	(3,340)	133,789	130,449	429,576
(Increase) decrease in inventories	(4,248)	(103,365)	(107,613)	8,155
Increase (decrease) in accounts and other payables	57,489	(50,203)	7,286	(244,776)
Increase (decrease) in accrued wages and benefits payable	12,443	107,575	120,018	(4,529)
Net cash provided by (used in) operating activities	\$ (5,503,277)	\$ 332,789	\$ (5,170,488)	\$ 1,230,549
Noncash Investing, Capital and Financing Activities				
Value of commodities received	\$ 791,105	\$ -	\$ 791,105	\$ -
Gain (loss) on disposal of capital assets not affecting operating income	1,750	5,275	7,025	-

See Notes to Financial Statements.

Sioux Falls School District 49-5

**Statement of Net Position
Fiduciary Funds
June 30, 2014**

	Agency Funds
<hr/>	
Assets	
Cash	\$ 4,797,709
Accounts receivable	23,514
Total assets	<u><u>\$ 4,821,223</u></u>
Liabilities	
Benefits payable	\$ 1,558,880
Amounts held for others	3,262,343
Total liabilities	<u><u>\$ 4,821,223</u></u>

See Notes to Financial Statements.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 1. Reporting Entity and Summary of Significant Accounting Policies

A. Financial Reporting Entity

The reporting entity of the Sioux Falls School District 49-5 (District) is a public school district encompassing the majority of the City of Sioux Falls, South Dakota. The District is responsible for the public education of approximately 22,000 students from pre-school through high school in twenty-four elementary, five middle school, three high school, and one alternative school buildings. In addition, the District is responsible for post-secondary education of approximately 3,200 students at Southeast Technical Institute.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Sioux Falls School District 49-5 is governed by a School Board which is elected by the public and has the exclusive responsibility and accountability for the decisions it makes. The District has the statutory authority to adopt its own budget, to levy taxes, and to issue bonded debt without the approval of another government. It has the right to sue and be sued, and has the right to buy, sell, lease, or mortgage property in its own name. Based on these criteria, the District is considered a primary government.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the District (primary government). The District may also be financially accountable for another organization if that organization is fiscally dependent on the School Board.

The Southeast Technical Institute Housing Foundation (STI Housing Foundation) is a separate legal entity organized as a 501(c)(3) non-profit organization. Its sole purpose is to construct and operate student housing at the Southeast Technical Institute. Because the School Board of the District has the authority to appoint and remove directors from the board of the STI Housing Foundation, management has determined that the STI Housing Foundation is an organization for which the primary government is financially accountable. Therefore, the STI Housing Foundation is included in the District's financial statements as a discretely presented component unit with its own column in the statement of net position and statement of activities. Because the STI Housing Foundation has a December 31 year end, the amounts reported herein are for the previous calendar year. To obtain the separate financial statements for Southeast Technical Institute Housing Foundation, contact Rich Kluin, Vice President of Finance and Operations, Southeast Technical Institute, 2320 North Career Avenue, Sioux Falls, South Dakota 57107.

B. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (continued)

Government-wide financial statements: The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between governmental activities, business-type activities, and a discretely presented component unit of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1.A. on the preceding page. See the discussion of the component unit in Note 1.A.

The statement of Net Position presents the financial condition of the District's governmental and business-type activities as of year end. Net Position is displayed in three components: 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 program or function of the District's governmental activities and for each segment of the District's business-type 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: The fund financial statements of the reporting entity provide information about the District's funds, including fiduciary funds. Separate statements are presented for each fund category – governmental, proprietary, and fiduciary. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Non-major funds are aggregated and presented in a single column, as are internal service funds. Fiduciary funds are reported by type. A fund is considered major if it is the primary operating fund of the District or it meets the following criteria:

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

C. Measurement focus, basis of accounting, and financial statement presentation

Government-wide financial statements: The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of the District are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place.

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Fund financial statements: Proprietary and fiduciary funds are reported using the economic resources measurement focus and accrual basis of accounting, similar to the government-wide financial statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds – governmental, proprietary, and fiduciary.

Governmental Funds: Governmental funds are those through which most governmental functions of the District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The following are the District's governmental funds:

General Fund – fund established by South Dakota Codified Laws (SDCL) 13-16-3 that accounts for all the financial resources and transactions except those required to be accounted for and reported in another fund.

Special Revenue Funds – account for the proceeds of specific revenue sources (other than bond redemption and major capital projects) that are legally restricted or committed to expenditures for specified purposes.

A brief description of the District's special revenue funds follows:

Capital Outlay Fund – fund established by SDCL 13-16-6 that accounts for the resources designated for the acquisition of land, existing buildings, improvements of grounds, remodeling of buildings, purchase of equipment, and payment of principal and interest related to capital outlay certificates. This fund is financed by property taxes.

Special Education Fund – fund established by SDCL 13-37-16 that accounts for all revenues and expenditures associated with the cost of special education for all exceptional children residing in the District. This fund is financed by grants and property taxes.

Post-Secondary Vocational Fund – fund established by SDCL 13-39-39.1 that accounts for all revenues and expenditures associated with operation of post-secondary vocational programs.

Pension Fund – fund established by SDCL 13-10-6 that accounts for the payment of early retirement benefits and certain retirement contributions. This fund is financed by property taxes.

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Debt Service Fund – the Bond Redemption Fund, established by SDCL 13-16-13, accounts for and reports the accumulation of resources that are restricted to expenditure for principal and interest.

Capital Projects Funds – account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of major capital facilities. Capital project funds consist of the Elementary Project Fund, Capital Improvement Plan Project Fund, and Middle School Project Fund.

The District reports the General Fund, Special Education Fund, Capital Outlay Fund, Post-Secondary Vocational Fund, and Capital Improvement Plan Project Fund as major governmental funds.

Proprietary Funds: Proprietary fund reporting focuses on the determination of operating income, changes in net position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues include charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary funds include enterprise and internal service funds.

Enterprise Funds – may be used to report any activity operated on a self-supporting basis for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds in certain instances, including if pricing policies of the activity establish fees and charges designed to cover its costs, including capital costs.

A brief description of the District's enterprise funds follows:

Food Service Fund – accounts for the operation of the school lunch program. This fund is financed by user charges and grants.

Community Services Fund – accounts for the operation of blended pre-school programs, summer school, daycare services and after-school daycare services, and for GED and other courses. This fund is financed by user charges and grants.

House Construction – was set up to account for construction and sale of one home annually by a high school within the District. Currently, the house is being built in partnership with Habitat for Humanity and is no longer being sold. This fund is now largely inactive.

Post-Secondary Bookstore Fund – accounts for the operation of a bookstore for the post-secondary vocational programs. This fund is financed by the sale of goods.

Post-Secondary Child Care Fund – accounts for the operation of a child daycare facility at the post-secondary vocational institute. This fund is financed by user charges and grants.

Post-Secondary TSI Fund – accounts for the operation of the business and industry training department of the post-secondary vocational institute. This fund is financed by user charges and grants.

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

The Food Service Fund is the only major enterprise fund reported by the District.

Internal Service Funds – account for the financing of goods or services provided by one department or agency to other departments or agencies on a cost-reimbursement basis. A brief description of the District’s internal service funds follows:

Group Health Insurance Fund – accounts for benefit payments under the District’s group health self-insurance plan. Expenses are funded by employee withholding and by payments from various funds which are based on set premium amounts.

Reprographics Fund – accounts for printing and copying services.

Fiduciary Funds: Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary funds of the District consist of several agency funds.

Agency Funds – account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. A brief description of the District’s agency funds follows:

Flexible Spending Accounts Fund – accounts for resources received and held by the District as agent for employee dependent care and healthcare reimbursement accounts.

Student Activity Funds – account for resources received and held by the District as agent for student or faculty groups.

Payroll Withholding Fund – accounts for the payment of payroll-related obligations.

Revenues – exchange and non-exchange transactions: On the accrual basis, revenue resulting from exchange transactions (primarily tuition and fees), in which each party gives and receives essentially equal value, is recorded when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. The District considers significant revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are intended to finance. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include: timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available, i.e. received within sixty days of year end, before it can be recognized.

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Expenses/expenditures: On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, the focus is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, except for principal and interest on general long-term debt, other postemployment benefits, early retirement obligations, arbitrage, and vacation payable, which are recognized as expenditures when due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental fund financial statements.

D. Other Significant Accounting Policies and Reporting Practices

Use of estimates in the preparation of financial statements: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, deferred outflows and inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates. Estimates significant to the financial statements include the allowance for doubtful accounts receivable, liability for unpaid medical claims and claims incurred but not reported, and the other postemployment benefit liability.

Property taxes: Property taxes are recognized as a receivable at the time they become an enforceable legal claim. The District's property taxes, levied by October 1, are due and payable in two installments before May 1 and November 1 of the following year and are attached as an enforceable lien on property as of January 1 each year. An allowance is provided for estimated uncollectible taxes.

Inventory: Food service and bookstore enterprise fund inventory is accounted for at the lower of cost (first-in, first-out) or market except for food service donated commodities which are valued at estimated market value based on the USDA price list on the date they are received. Fuel oil and other inventory in the general fund are accounted for at the lower of cost (first-in, first-out) or market. The cost of fuel oil and other inventory in the general fund is shown as a nonspendable component of the fund balance, as these items do not constitute "available spendable resources". The consumption method is used by governmental funds to record expenditures.

Interfund receivables/payables: Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to in the fund financial statements as either "Due To/From Other Funds" (current portion) or "Advances To/From Other Funds" (non-current portion). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal Balances."

Unearned revenue and deposits: Unearned revenue and deposits arise when assets are recognized before revenue recognition criteria have been met. Revenue is recognized as the services or goods are provided.

Deferred outflow and inflow of resources: A deferred outflow or inflow of resources is a consumption or an acquisition, respectively, of net assets that is applicable to a future reporting period. On the government-wide financial statements, the deferred charge on refunding represents the reacquisition price in excess of the net carrying amount of the old debt, and is being amortized over the remaining life of the old debt. Property taxes for which there is an enforceable legal claim as of June 30, but which were levied to finance the next fiscal year's operations, have been recorded as deferred inflow of resources. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred inflow of resources.

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

D. Other Significant Accounting Policies and Reporting Practices (continued)

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. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. The District has no infrastructure assets. The accounting treatment for 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 financial statements: All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Land and building improvements are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District maintains a capitalization threshold for governmental activities of \$5,000 for machinery and equipment and \$20,000 for buildings and improvements. For business-type activities, the machinery and equipment capitalization threshold is \$1,000. Purchased software is included with machinery and equipment. The capitalization threshold for internally generated software is \$50,000. All reported capital assets except land are depreciated using the straight-line method over the following useful lives:

Description	Estimated Useful Life
Land improvements	10 – 20 years
Buildings	50 years
Building improvements	20 – 30 years
Machinery and equipment	5 – 15 years

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 capitalized, the same as in the government-wide statements.

Vacation pay: Vacation pay is earned by administrative personnel and noncertified employees at various rates based upon their years of service. Employees may accumulate up to twice the amount of vacation earned in a year. For governmental funds, a liability and expenditure is recognized as payments come due upon the occurrence of events such as resignations and retirements. However, the entire accrued vacation liability and related expense is recorded in the government-wide and proprietary fund financial statements when earned.

Long-term liabilities: Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Long-term liabilities consist primarily of accrued vacation, early retirement benefits payable, other postemployment benefits, and general obligation bonds and capital outlay certificates payable. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds do not report long-term liabilities. The face amount of debt issued is reported as other financing sources and payment of principal is reported as an expenditure. Bond premiums and discounts are reported as other financing sources and uses, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

D. Other Significant Accounting Policies and Reporting Practices (continued)

Equity classifications:

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the year ended June 30, 2014. This standard reclassified certain items previously being reported as assets and liabilities as deferred outflows and inflows of resources on the District's statement of net position and balance sheets. The implementation of GASB No. 65 had no effect on net position or fund balance, except for the impact on net position for the write off of debt issuance costs of \$599,000 by the District and \$245,000 by the Southeast Technical Institute Housing Foundation component unit.

Government-wide statements - Equity is classified as net position and is displayed in three components:

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.

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.

Unrestricted net position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets".

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

Governmental fund financial statements - Equity is classified as fund balance and is displayed in the following components:

Nonspendable – consists of amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – consists of amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws, or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Business Manager, subject to approval by the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – consists of amounts constrained by the District's intent to use them for a specific purpose that are neither considered restricted or committed.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Application of net position (continued):

Unassigned – consists of all amounts not included in other spendable classifications. Due to the funding sources and policies of the District, the general fund is generally the only fund that would report a positive amount in unassigned fund balance.

Proprietary fund equity is classified the same as in the government-wide financial statements.

Application of the fund balance: When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Extraordinary and special items: Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School Board and that are either unusual in nature or infrequent in occurrence. The District did not report any extraordinary or special items during the year.

Note 2. Fund Equity and Budget Matters

The School Board has assigned fund balances for next year's budget. The Business Manager has the authority to revise the amounts assigned, subject to approval by the School Board. As of June 30, 2014, the Post-Secondary Child Care Fund had a deficit net position of \$73,529. To address this deficit, the District plans to increase revenue from a combination of increased rates and increased enrollment and to decrease staff and food costs in this fund.

Note 3. Deposits and Investments

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

Deposits – The 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 Federal Deposit Insurance Corporation (FDIC) and National Credit Union Association (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.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 3. Deposits and Investments (Continued)

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. The District follows the State requirements. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Custodial credit risk: For deposits, custodial credit risk is the risk that in the event of a depository failure, the District's deposits may not be returned. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk for deposits or investments, but its practice is to follow the State requirements. As of June 30, 2014, \$134,404,066 of the District's bank balance of \$135,169,397 for checking and savings accounts was uninsured but collateralized in accordance with SDCL 4-6A-3.

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

Credit risk: State law limits eligible investments for the District, as discussed above. The District has no investment policy that would further limit its investment choices. Obligations of the United States government are not considered to be subject to credit risk.

Concentration of credit risk: The District places no limit on the amount that may be invested in any one issuer.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. Income from savings accounts and certificates of deposit is recorded in the fund in which the investment is carried. Interest income from checking accounts is recorded in the General Fund.

Note 4. Accounts Receivable

Current taxes receivable are reported net of an allowance for doubtful accounts of \$59,218 in the General Fund, \$16,952 in the Capital Outlay Fund, \$10,977 in the Special Education Fund, \$2,667 in the Debt Service Fund, and \$2,432 in the Pension Fund.

Delinquent taxes receivable are reported net of an allowance for doubtful accounts of \$222,186 in the General Fund, \$70,977 in the Capital Outlay Fund, \$38,180 in the Special Education Fund, \$77,997 in the Debt Service Fund, and \$9,497 in the Pension Fund.

Accounts receivable are reported net of an allowance for doubtful accounts of \$155,346 in the Post-Secondary Vocational Fund, \$53,915 in the Post-Secondary Bookstore Fund, \$5,686 in the Post-Secondary Childcare Fund, and \$3,749 in the Post-Secondary TSI Fund.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 5. Interfund Receivables, Payables, and Transfers

At June 30, 2014 interfund receivables and payables were as follows:

Fund	Interfund	
	Receivable	Payable
General	\$ -	\$ 1,740,038
Special Education	-	401,622
Post-Secondary	207,389	158,955
Food Service	-	61,211
Nonmajor enterprise	-	263,277
Internal service	2,419,408	1,694
	<u>\$ 2,626,797</u>	<u>\$ 2,626,797</u>

The interfund receivable and payable balances consist of: 1) Medical insurance premiums withheld from employee paychecks plus the District's share at year end that will be paid to the Group Health Insurance Internal Service Fund after year end; 2) \$79,690 paid by the Post Secondary Vocational Fund to the Post Secondary Childcare Fund to cover a negative cash balance and \$127,699 paid by the Post Secondary Vocational Fund to the Post Secondary TSI Fund to cover a negative cash balance.

Interfund transfers for the year ended June 30, 2014 were as follows:

Transfers from	Transfers to	
	Post-Secondary Vocational	Nonmajor Enterprise
Post-Secondary Vocational Fund	\$ -	\$ 20,000
Nonmajor Enterprise	5,000	-
	<u>\$ 5,000</u>	<u>\$ 20,000</u>

During the year ended June 30, 2014, the Post-Secondary Vocational Fund transferred \$20,000 to the Post-Secondary Child Care Fund to record the fund's portion of State Aid that was deposited into the Post-Secondary Vocational Fund

In addition, the Post-Secondary Bookstore Fund transferred \$5,000 to the Post-Secondary Vocational Fund to cover the cost of laptop repairs.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Transfers and Additions	Transfers and Retirements	Balance June 30, 2014
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 11,237,098	\$ 483,000	\$ 500,285	\$ 11,219,813
Construction in progress	20,824,108	20,779,721	1,150,016	40,453,813
Total capital assets, not being depreciated	32,061,206	21,262,721	1,650,301	51,673,626
Capital assets, being depreciated:				
Buildings	291,059,775	2,992,975	-	294,052,750
Improvements other than buildings	14,457,865	400,466	-	14,858,331
Machinery and equipment	26,821,996	2,084,619	500,327	28,406,288
	332,339,636	5,478,060	500,327	337,317,369
Less accumulated depreciation for:				
Buildings	100,569,636	7,697,361	-	108,266,997
Improvements other than buildings	8,464,982	750,405	-	9,215,387
Machinery and equipment	18,547,285	1,879,705	479,350	19,947,640
	127,581,903	10,327,471	479,350	137,430,024
Total capital assets being depreciated, net Governmental activities capital assets, net	204,757,733	(4,849,411)	20,977	199,887,345
	\$ 236,818,939	\$ 16,413,310	\$ 1,671,278	\$ 251,560,971
Instruction				\$ 8,178,081
Support services				1,457,358
Co-curricular				692,032
Total depreciation expense - governmental activities				\$ 10,327,471

Sioux Falls School District 49-5

Notes to Financial Statements

Note 6. Capital Assets (Continued)

	Balance June 30, 2013	Additions	Transfers and Retirements	Balance June 30, 2014
Business-type activities:				
Capital assets, being depreciated				
Building improvements	\$ 4,921,241	\$ 688,343	\$ -	\$ 5,609,584
Improvements other than buildings	5,703	1,163	-	6,866
Machinery and equipment	5,513,330	358,012	115,645	5,755,697
	<u>10,440,274</u>	<u>1,047,518</u>	<u>115,645</u>	<u>11,372,147</u>
Less accumulated depreciation for:				
Building improvements	2,289,050	228,117	-	2,517,167
Improvements other than buildings	2,565	343	-	2,908
Machinery and equipment	4,036,663	243,392	105,238	4,174,817
	<u>6,328,278</u>	<u>471,852</u>	<u>105,238</u>	<u>6,694,892</u>
Business-type activity capital assets, net	<u>\$ 4,111,996</u>	<u>\$ 575,666</u>	<u>\$ 10,407</u>	<u>\$ 4,677,255</u>
Food services				\$ 375,203
Community services				9,042
Bookstore services				16,704
Instruction				70,903
Total depreciation expense - business-type activities				<u>\$ 471,852</u>

Note 7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Governmental activities:					
Capital outlay certificates	\$ 85,735,000	\$ 54,000,000	\$ 3,645,000	\$ 136,090,000	\$ 5,880,000
Plus: unamortized premium	2,444,011	1,695,568	708,386	3,431,193	-
Less: unamortized discount	-	(372,298)	(14,494)	(357,804)	-
Total capital outlay certificates	<u>88,179,011</u>	<u>55,323,270</u>	<u>4,338,892</u>	<u>139,163,389</u>	<u>5,880,000</u>
General obligation bonds	15,060,000	-	1,720,000	13,340,000	2,260,000
Plus: unamortized premium	265,728	-	79,389	186,339	-
Total general obligation bonds	<u>15,325,728</u>	<u>-</u>	<u>1,799,389</u>	<u>13,526,339</u>	<u>2,260,000</u>
Other postemployment benefits	2,532,000	370,000	-	2,902,000	-
Early retirement plan obligation	4,313,242	1,139,108	2,128,174	3,324,176	1,822,571
Accrued vacation	1,563,020	1,298,882	1,154,479	1,707,423	1,707,423
Governmental activities long-term liabilities	<u>\$ 111,913,001</u>	<u>\$ 58,131,260</u>	<u>\$ 9,420,934</u>	<u>\$ 160,623,327</u>	<u>\$ 11,669,994</u>
Business-type activities:					
Accrued vacation	\$ 112,651	\$ 98,836	\$ 99,076	\$ 112,411	\$ 112,411
Business-type activities long-term liabilities	<u>\$ 112,651</u>	<u>\$ 98,836</u>	<u>\$ 99,076</u>	<u>\$ 112,411</u>	<u>\$ 112,411</u>

Sioux Falls School District 49-5

Notes to Financial Statements

Note 7. Long-Term Liabilities (Continued)

Capital outlay certificates: The capital outlay certificates are a limited obligation debt which are payable from tax levies of the capital outlay fund. The debt service for the certificates is accounted for in the capital outlay fund. The certificates bear interest at fixed rates, which vary based upon maturity date. A summary of the certificates outstanding at June 30, 2014 is as follows:

Issue	Issue Date	Final Maturity Date	Interest Rate	Balance
2006	5/15/06	1/01/26	4.25% - 5.00%	\$ 4,220,000
2009	7/23/09	7/01/29	2.50% - 6.25%	17,275,000
2010	9/24/10	7/01/22	1.00% - 3.00%	9,390,000
2011	7/01/11	1/01/31	2.05% - 5.00%	30,565,000
2012	9/18/12	1/01/26	2.00% - 4.00%	20,640,000
2013	9/12/13	7/01/33	2.00% - 4.50%	54,000,000
				\$ 136,090,000

Annual debt service requirements to maturity for capital outlay certificates at June 30, 2014 are as follows:

Year ending June 30,	Governmental Activities		
	Principal	Interest	Totals
2015	\$ 5,880,000	\$ 5,560,568	\$ 11,440,568
2016	6,010,000	5,361,833	11,371,833
2017	6,170,000	5,132,796	11,302,796
2018	7,995,000	4,886,425	12,881,425
2019	8,245,000	4,583,119	12,828,119
2020 - 2024	41,840,000	18,003,857	59,843,857
2025 - 2029	37,570,000	9,558,141	47,128,141
2030 - 2034	22,380,000	2,189,981	24,569,981
Totals	\$ 136,090,000	\$ 55,276,720	\$ 191,366,720

General obligation bonds: The general obligation bonds are payable from tax levies collected. The debt service for the bonds is accounted for in a separate debt service fund. The bonds bear interest at fixed rates, which vary based upon maturity date. A summary of general obligation bonds outstanding at June 30, 2014 is as follows:

Issue	Issue Date	Final Maturity Date	Interest Rate	Balance
2004B	9/24/04	7/01/20	1.60% - 5.00%	\$ 13,340,000

Annual debt service requirements to maturity for general obligation bonds at June 30, 2014 are as follows:

Year ending June 30	Governmental Activities		
	Principal	Interest	Totals
2015	\$ 2,260,000	\$ 603,575	\$ 2,863,575
2016	2,360,000	493,725	2,853,725
2017	2,475,000	372,850	2,847,850
2018	2,600,000	245,975	2,845,975
2019	1,530,000	142,725	1,672,725
2020 - 2021	2,115,000	76,462	2,191,462
Totals	\$ 13,340,000	\$ 1,935,312	\$ 15,275,312

Sioux Falls School District 49-5

Notes to Financial Statements

Note 7. Long-Term Liabilities (Continued)

Other postemployment benefits: See Note 9 for a description of the liability for other postemployment benefits. Other postemployment benefits typically are liquidated from the applicable fund.

Early retirement plan obligation: See Note 11 for a description of the liability under the early retirement plan. Early retirement benefits typically are liquidated from the applicable fund, except for the General Fund, which benefits are liquidated from the Pension Fund.

Accrued vacation: Accrued vacation is typically liquidated from the fund in which the related wages are recognized.

Legal debt margin: The District's legal debt limit is approximately \$899,000,000 (10% of assessed valuation). At June 30, 2014, the District's available debt capacity is approximately \$744,700,000.

Refunded bonds and certificates: In prior years, the District defeased certain capital outlay certificates by placing the proceeds of new certificates in irrevocable trusts to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased certificates are not included in the District's financial statements. On June 30, 2014, a total of \$16,960,000 of certificates outstanding are considered defeased.

Note 8. Long-Term Liabilities - Component Unit

Changes in long-term liabilities for the component unit for the year ended December 31, 2013 are as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One year
Revenue bonds	\$ 4,981,995	\$ -	\$ 123,619	\$ 4,858,376	\$ 132,903

Series 2002A Multi-Family Housing Revenue Bonds with a balance of \$2,105,000 were issued August, 2002 by the South Dakota Housing Development Authority (Authority) with the proceeds loaned to the Housing Foundation pursuant to a loan agreement between the Housing Foundation, the Authority, and Wells Fargo Bank Minnesota, NA, as trustee, and a leasehold mortgage. The bonds bear interest from 2.00% to 5.35% and are due in installments from August, 2004 to August, 2033. Series 2004A Multi-Family Housing Revenue Bonds with a balance of \$2,753,376 were issued beginning in October, 2004 by the Authority with the proceeds loaned to the Housing Foundation pursuant to a loan agreement between the Housing Foundation, the Authority, and Citicorp North America, Inc., as trustee, and a leasehold mortgage. The bonds bear interest at 6.15% and are due in installments from August, 2006 to August, 2033.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 8. Long-Term Liabilities – Component Unit (Continued)

Annual debt service requirements to maturity for revenue bonds at December 31, 2013 are as follows:

Year ending December 31,	Component Unit		
	Principal	Interest	Totals
2014	\$ 132,903	\$ 284,352	\$ 417,255
2015	142,456	276,917	419,373
2016	147,293	268,951	416,244
2017	157,431	260,702	418,133
2018	167,891	251,888	419,779
2019 - 2023	1,004,058	1,073,490	2,077,548
2024 - 2028	1,331,816	744,431	2,076,247
2029 - 2033	1,774,528	305,788	2,080,316
Totals	<u>\$ 4,858,376</u>	<u>\$ 3,466,519</u>	<u>\$ 8,324,895</u>

Note 9. Other Postemployment Benefits

The District reflects an actuarially determined liability for the present value of projected retirement group health benefits for retired and active employees in the financial statements.

Plan description: The District maintains a group health self-insurance fund and contracts with an insurance company to provide life insurance benefits for active employees and their eligible dependents. In addition, retirees meeting eligibility requirements are allowed to remain on the medical and life insurance plans by paying 102% of the active employee premium through age 65. Eligibility for retiree benefits is established and amended through collective bargaining with each employee group. SDCL 13-10-3 allows any school district to provide group health and life insurance for its employees and their immediate families and former employees that have retired. The liability exists because of an implicit subsidy of costs of the benefits to retirees by the District. As of the valuation date of July 1, 2013, there were 2,591 active employees and 221 retirees covered by the plans.

Funding policy: The District funds the other post-retirement benefits on a pay-as-you-go basis. Because the District does not use a trust fund to administer the financing of other postemployment benefits, no separate financial statements are required.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 9. Other Postemployment Benefits (Continued)

Annual OPEB cost and net OPEB obligation: The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any un-funded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, changes in the District's net OPEB obligation, and the percentage of the annual OPEB cost contributed to the plan.

	Governmental Activities
Annual required contribution	\$ 1,084,000
Interest on net OPEB obligation	114,000
Adjustment to annual required contribution	(97,000)
Annual OPEB cost (expense)	<u>1,101,000</u>
Contributions made	<u>(731,000)</u>
Increase in net OPEB obligation	370,000
OPEB obligation - beginning	<u>2,532,000</u>
OPEB obligation - ending	<u><u>\$ 2,902,000</u></u>

The District's annual OPEB cost data and net OPEB obligation was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 1,101,000	66.4%	\$ 2,902,000
June 30, 2013	1,283,000	66.2%	2,532,000
June 30, 2012	1,283,000	66.2%	2,098,000

Funded status: As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the District's unfunded actuarial accrued liability (UAAL) was \$11,121,000. The annual payroll for active employees covered by the plan in the actuarial valuation for the 2013-2014 fiscal year was \$121,523,622 for a ratio of the UAAL to covered payroll of 9.2%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future terminations, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past experience and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 9. Other Postemployment Benefits (Continued)

Actuarial methods and assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a rate of 4.5% to discount expected liabilities to the valuation date. The initial healthcare trend rate was 10.0% for both medical and prescription drugs, reduced by 0.5% each year to an ultimate rate of 5.0%. Mortality rates are based on the 1994 Group Annuity Mortality Table, applied on a gender-specific basis, and retirement probability is based on the District's historical experience and data from the South Dakota Retirement System. Expected annual medical claim costs were developed from a combination of historical claim experience and manual claim costs developed using a representative database. The UAAL is being amortized as a level percentage of projected payroll over 30 years, open basis.

Note 10. Commitments and Contingencies

Sick leave: Substantially all employees accumulate sick leave for future use. These accumulations do not vest and are not recognized as expenditures by the District until the leave is used. At June 30, 2014, accumulated unused sick leave was approximately \$38,900,000.

Early retirement: The District's employment contract for teachers and administrative personnel provides for an early retirement benefit as described within Note 11. An estimation of the potential liability for those teachers and administrative personnel that will become eligible in future years to receive this benefit has not been made.

Construction contracts and open purchase orders: At June 30, 2014, there were total commitments of \$1,238,710, \$3,990, \$7,627,692, \$6,202,235, \$7,870 and \$250,000 remaining on the construction contracts for the Capital Outlay Fund, Post-Secondary Vocational Fund, Elementary Project Fund, Capital Improvement Plan Project Fund, Middle School Project Fund, and Food Service Fund, respectively, for various construction and remodeling commitments. At June 30, 2014, there were commitments for open purchase orders of \$895,741, \$475,656, \$1,177,085, \$1,744,332, \$261,174 and \$1,234,107 in the General Fund, Capital Outlay Fund, Special Education Fund, Post Secondary Vocational Fund, Capital Projects Funds and Enterprise Funds, respectively. In addition, there were commitments for equipment and building operating leases of \$1,422,302, \$180,462 and \$120,000 in the General Fund, Post-Secondary Vocational Fund, and Special Education Fund, respectively.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 10. Commitments and Contingencies (Continued)

Operating leases: The District leases the facilities for a portion of the Southeast Technical Institute from the South Dakota Board of Education. The facilities were constructed with proceeds from bonds issued by the South Dakota Health and Education Facilities Authority (Authority). The South Dakota Board of Education leases the facility from the Authority and then subleases it to the District on a rent-free basis. The lease agreement calls for rental payments coinciding with the bond retirement schedule. Currently, those rentals are being paid from the facility fee fund account maintained by the trustee. It is anticipated that these fees will be sufficient to make the lease payments throughout the term of the leases and therefore no rent expense has been recorded by the District. The facility fee is collected from each student attending the four vocational technical schools in the state. These fees are remitted to the trustee for the purpose of retiring the indebtedness against the facilities constructed at the various vocational-technical schools. The lease term is for twenty-five years, although there is a cancellation clause for non-appropriation of funds. At the conclusion of the lease, the District and the South Dakota Board of Education have the option of renewing the lease on an annual basis for \$100, subject to the restriction on use of the project for post-secondary vocational-technical education. The District is responsible for all repair and maintenance costs associated with the building. The cost of these facilities is not included in capital assets in the government-wide financial statements since the District does not have, nor will it obtain, ownership of the facilities under the terms of the sublease. The bonds used to construct these facilities are not obligations of the District and are being repaid by fees assessed by the South Dakota Board of Education; therefore, the bonds are not included in these financial statements.

The District leases printers, multi-function devices, and operating space under various leases as of June 30, 2014. Rental expense for the year ended June 30, 2014 was \$614,256.

Lease commitments for the printers, multi-function devices, and operating space as of June 30, 2014 are as follows:

Year ending June 30:	
2015	\$ 563,736
2016	563,736
2017	510,936
2018	84,356
	<u>\$ 1,722,764</u>

Legal and other matters: In the ordinary course of business, the District is party to a number of legal proceedings as a plaintiff or defendant; however management does not believe that the ultimate disposition of any of these proceedings will have a material effect on the District's financial position or results of operations.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 11. Pension and Early Retirement Plans

Pension plans: Substantially all full-time employees are covered by the South Dakota Retirement System.

South Dakota Retirement System –

All District employees who meet enrollment qualifications participate in the South Dakota Retirement System (System), a cost-sharing, multi-employer public employee retirement system. The System provides retirement, disability and survivor benefits. Authority for establishing, administering, and amending plan provisions is found in South Dakota Codified Law 3-12. The right to receive retirement benefits vests after three years of credited service. All participants are Class A members of the System. Class A members who retire at or after age 65 with five years of service or at or after age 55, where age and credited service equal 85, are entitled to an unreduced annual retirement benefit.

Class A members are required by state statute to contribute 6 percent of their salary to the plan. State statute also requires the District to contribute an amount equal to the member's contribution. The contribution from the District was \$7,430,961, \$6,813,701, and \$6,730,871, for the years ended June 30, 2014, 2013 and 2012, respectively.

The South Dakota Retirement System issues a publicly available financial report that includes financial statements, footnote disclosures, and required supplementary information. That report may be obtained by writing to the South Dakota Retirement System, PO Box 1098, Pierre, South Dakota 57501, or by calling 1-605-773-3731.

Early retirement plan: The District has an employment contract which provides for an early retirement cash benefit of up to 90% of current contract salaries to teachers and administrative personnel who retire after having met certain age and length-of-service requirements. To collect these benefits, notification must be given no later than February 1st of the year in which such retirement will occur. Currently, 229 retirees are receiving benefits under this provision. An additional 88 employees are expected to be eligible for early retirement benefits by February 1, 2014, not all of whom are expected to elect early retirement. The benefit is paid in five annual installments due June 30 of each year and is paid in to a Special Pay Plan as a 403(b) tax-sheltered contribution and/or transferred to the District's Payroll Withholding Fund to be used to fund future medical insurance premiums. The early retirement benefits are funded from the applicable fund on a pay-as-you-go basis and are recorded as a liability in the government-wide financial statements at the time an employee elects early retirement.

Benefits paid during the year ended June 30, 2014 were \$2,128,174. The liability for future payments is \$3,324,176 and is payable in the following years: 2015 \$1,822,571; 2016 \$795,511; 2017 \$478,272; and 2018 \$227,822.

Note 12. Risk Management

General: The 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; employee health; and natural disasters. The District carries commercial insurance for insurable risks of loss except for employee health insurance and unemployment claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

Sioux Falls School District 49-5

Notes to Financial Statements

Note 12. Risk Management (Continued)

Unemployment insurance: The District has the option of funding for unemployment payments by either making payments to the state fund or by self-insuring. The District has elected to self-insure and pays unemployment claims from the applicable fund. The District paid \$15,911 of unemployment insurance claims during the year ended June 30, 2014.

Group health insurance: The District has established a group health self-insurance fund to pay for medical claims of District employees and their covered dependents. Payments to the fund are actuarially determined and are to cover individual claims up to \$300,000 and any administrative costs relative to the processing of the claims. Medical claims exceeding \$300,000 with an unlimited maximum are covered through a private insurance carrier. An estimated liability for claims incurred but not paid is accrued based upon the past experience of the plan.

Changes in the aggregate liabilities of the Group Health Insurance Fund during 2014 and 2013 were as follows:

	2014	2013
Benefit claims payable, at beginning of year	\$ 2,870,000	\$ 3,240,000
Employee health and related benefits incurred, including changes in estimates	23,378,090	24,202,734
Employee health and related benefits paid	(23,628,090)	(24,572,734)
Benefit claims payable, at end of year	<u>\$ 2,620,000</u>	<u>\$ 2,870,000</u>

Note 13. Pending GASB Statements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27) (June 2012)*, as amended by GASB statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (November 2013)*, replaces the requirements of GASB Statements No. 27 and No. 50 related to pension plans administered through trusts or similar arrangements. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability, and includes guidance to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also adds revised and new note disclosures and required supplementary information. The requirements of GASB 68 will be effective for the District beginning with its year ending June 30, 2015. The District's management has not yet determined the effect this Statement will have on the District's financial statements.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* provides guidance for government mergers, acquisitions, and transfers of operations, as well as a disposal of government operations, which can occur through a transfer to another government or a sale. The new standard provides guidance for (1) Determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations; (2) Using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations; (3) Measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and (4) Reporting the disposal of government operations that have been transferred or sold. The requirements of GASB 69 are effective for periods beginning after December 15, 2013.

Sioux Falls School District 49-5

**Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local Sources:				
Taxes	\$ 65,876,957	\$ 65,876,957	\$ 65,841,674	\$ (35,283)
Tuition and fees	394,415	394,415	395,192	777
Earnings on investments and deposits	210,000	210,000	236,125	26,125
Co-curricular activities	287,000	287,500	239,434	(48,066)
Other	2,156,504	5,245,383	5,932,293	686,910
Total local sources	68,924,876	72,014,255	72,644,718	630,463
Intermediate sources, county apportionment	1,081,406	1,081,406	1,013,268	(68,138)
State sources:				
Unrestricted grants in aid:				
State aid	52,503,506	52,503,506	50,875,585	(1,627,921)
State apportionment	1,300,000	1,300,000	1,517,949	217,949
Bank franchise taxes	1,235,892	1,235,892	2,185,428	949,536
Supplemental state aid	-	-	-	-
Restricted grants in aid	55,000	55,000	16,356	(38,644)
Other	-	6,941	135,826	128,885
Total state sources	55,094,398	55,101,339	54,731,144	(370,195)
Federal sources:				
Restricted grants in aid:				
Received directly from federal government	2,456,860	2,454,742	2,450,247	(4,495)
Received from federal government through the state	7,479,693	8,382,124	8,597,097	214,973
Other federal revenue	24,787	24,787	1,975	(22,812)
Total federal sources	9,961,340	10,861,653	11,049,319	187,666
Other	172,859	172,859	173,870	1,011
Total revenues	135,234,879	139,231,512	139,612,319	380,807
Expenditures				
Instruction:				
Regular programs:				
Elementary programs	38,351,603	38,821,669	37,890,555	931,114
Middle school programs	17,857,975	18,100,190	18,104,283	(4,093)
High school programs	21,852,035	22,398,266	21,692,548	705,718
Total regular programs	78,061,613	79,320,125	77,687,386	1,632,739
Special programs:				
Programs for the gifted and talented	740,672	806,160	770,292	35,868
Programs for the culturally different	2,785,891	2,952,684	3,357,618	(404,934)
Programs for the educationally deprived	4,446,231	4,753,479	4,837,353	(83,874)
Other	4,109,031	4,544,424	4,274,258	270,166
Total special programs	12,081,825	13,056,747	13,239,521	(182,774)
Total instruction	90,143,438	92,376,872	90,926,907	1,449,965
Support services:				
Pupils:				
Attendance and social work services	529,731	554,231	585,781	(31,550)
Guidance services	3,877,341	3,870,451	3,806,243	64,208
Health services	769,502	788,279	749,535	38,744
Total pupils	5,176,574	5,212,961	5,141,559	71,402

(continued)

Sioux Falls School District 49-5

**Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Instructional staff:				
Improvement of instructional services	4,373,883	4,377,881	3,774,702	603,179
Educational media services	3,209,185	3,414,537	3,070,576	343,961
Total instructional staff	7,583,068	7,792,418	6,845,278	947,140
General and administrative:				
Board of Education services	862,720	862,720	825,777	36,943
Executive administration services	1,233,055	1,233,055	1,268,879	(35,824)
Total general and administrative	2,095,775	2,095,775	2,094,656	1,119
School administration:				
Office of the principal services	9,565,135	9,727,459	9,589,798	137,661
Other	965,630	933,136	919,296	13,840
Total school administration	10,530,765	10,660,595	10,509,094	151,501
Business:				
Fiscal services	1,358,242	1,358,242	1,267,422	90,820
Operation and maintenance of plant	16,337,613	16,336,813	16,396,479	(59,666)
Pupil transportation services	3,059,416	3,157,800	3,345,128	(187,328)
Food services	461,522	773,453	494,044	279,409
Internal services	1,000	1,000	4,208	(3,208)
Total business	21,217,793	21,627,308	21,507,281	120,027
Central:				
Planning and research	250,062	250,062	214,755	35,307
Data processing services	2,154,186	2,155,276	2,075,593	79,683
Total central	2,404,248	2,405,338	2,290,348	114,900
Total support services	49,008,223	49,794,395	48,388,216	1,406,179
Community Services:				
Nonpublic Schools	123,263	138,663	138,841	(178)
Other	6,660	6,660	716	5,944
Total community services	129,923	145,323	139,557	5,766
Nonprogrammed charges:				
Unemployment payments	25,000	25,000	8,086	16,914
Total nonprogrammed charges	25,000	25,000	8,086	16,914
Co-curricular activities:				
Male activities	919,121	1,138,718	1,123,038	15,680
Female activities	759,146	863,408	799,163	64,245
Combined activities	738,130	1,926,833	1,935,181	(8,348)
Total co-curricular activities	2,416,397	3,928,959	3,857,382	71,577
Other	194,905	201,423	196,288	5,135
Total expenditures	141,917,886	146,471,972	143,516,436	2,955,536
Revenues over (under) expenditures	(6,683,007)	(7,240,460)	(3,904,117)	3,336,343
Other financing sources (uses)				
Transfers in	141,000	141,000	-	(141,000)
Sale of surplus property	-	1,113	1,112	(1)
Total other financing sources (uses)	141,000	142,113	1,112	(141,001)
Net change in fund balances	(6,542,007)	(7,098,347)	(3,903,005)	3,195,342
Fund balance - beginning	28,501,018	28,501,018	28,501,018	-
Fund balance - ending	\$ 21,959,011	\$ 21,402,671	\$ 24,598,013	\$ 3,195,342

See Notes to Required Supplementary Information.

Sioux Falls School District 49-5

Budgetary Comparison Schedule
 Capital Outlay Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Local Sources:				
Taxes	\$ 18,927,365	\$ 18,927,365	\$ 18,688,386	\$ (238,979)
Tuition and fees	-	-	44,250	44,250
Earnings on investments and deposits	74,710	74,710	45,604	(29,106)
Other	142,000	420,971	460,971	40,000
Total local sources	19,144,075	19,423,046	19,239,211	(183,835)
Federal sources:				
Restricted grants in aid:				
Received directly from federal government	-	-	26,912	26,912
Received from federal government through the state	-	36,264	183,856	147,592
Other federal revenue	338,575	788,575	761,631	(26,944)
Total federal sources	338,575	824,839	972,399	147,560
Total revenues	19,482,650	20,247,885	20,211,610	(36,275)
Expenditures				
Instruction:				
Regular programs:				
Elementary programs	1,102,242	1,250,182	995,342	254,840
Middle school programs	619,290	530,306	452,338	77,968
High school programs	984,112	1,332,190	1,457,283	(125,093)
Total regular programs	2,705,644	3,112,678	2,904,963	207,715
Special programs:				
Programs for severe disabilities	-	-	88,876	(88,876)
Programs for the culturally different	1,674	1,674	1,596	78
Other	-	55,697	22,588	33,109
Total special programs	1,674	57,371	113,060	(55,689)
Total instruction	2,707,318	3,170,049	3,018,023	152,026
Support services:				
Pupils, health services	8,948	8,948	8,009	939
Total pupils	8,948	8,948	8,009	939
Instructional staff:				
Improvement of instructional services	3,708	3,708	9,267	(5,559)
Educational media services	98,585	176,883	130,040	46,843
Total instructional staff	102,293	180,591	139,307	41,284

(continued)

Sioux Falls School District 49-5

**Budgetary Comparison Schedule
Capital Outlay Fund
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
School administration:				
Office of the principal services	38,888	51,368	34,151	17,217
Total school administration	38,888	51,368	34,151	17,217
Business:				
Fiscal services	26,131	26,131	954,710	(928,579)
Facilities acquisition	5,393,391	5,885,284	4,701,536	1,183,748
Operation and maintenance of plant	491,350	491,446	478,373	13,073
Pupil transportation services	401,252	851,252	866,710	(15,458)
Total business	6,312,124	7,254,113	7,001,329	252,784
Central, data processing services	528,154	530,744	696,119	(165,375)
Total central	528,154	530,744	696,119	(165,375)
Total support services	6,990,407	8,025,764	7,878,915	146,849
Nonprogrammed charges, payments to other educational institutions	554,613	554,613	474,566	80,047
Total nonprogrammed charges	554,613	554,613	474,566	80,047
Debt service	7,691,766	7,691,766	7,786,421	(94,655)
Co-curricular activities:				
Male activities	38,400	48,803	46,047	2,756
Female activities	18,200	18,528	19,735	(1,207)
Combined activities	140,000	172,573	172,002	571
Total co-curricular activities	196,600	239,904	237,784	2,120
Total expenditures	18,140,704	19,682,096	19,395,709	286,387
Revenues over expenditures	1,341,946	565,789	815,901	250,112
Other financing sources (uses)				
Transfers out	(1,341,946)	(1,341,946)	-	1,341,946
Capital outlay certificates issued	-	-	1,763,270	1,763,270
Sale of surplus property	-	5,826	534,249	528,423
Total other financing sources (uses)	(1,341,946)	(1,336,120)	2,297,519	3,633,639
Net change in fund balances	-	(770,331)	3,113,420	3,883,751
Fund balance - beginning	15,411,420	15,411,420	15,411,420	-
Fund balance - ending	\$ 15,411,420	\$ 14,641,089	\$ 18,524,840	\$ 3,883,751

See Notes to Required Supplementary Information.

Sioux Falls School District 49-5

Budgetary Comparison Schedule
 Special Education Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Local Sources:				
Taxes	\$ 11,592,282	\$ 11,592,282	\$ 11,444,735	\$ (147,547)
Tuition and fees	127,000	127,000	197,709	70,709
Earnings on investments and deposits	20,000	20,000	31,260	11,260
Other	1,140,502	1,141,167	826,202	(314,965)
Total local sources	12,879,784	12,880,449	12,499,906	(380,543)
State sources:				
Restricted grants in aid	14,454,499	14,454,499	15,022,607	568,108
Tuition	30,000	30,000	21,357	(8,643)
Other	-	-	9,712	9,712
Total state sources	14,484,499	14,484,499	15,053,676	569,177
Federal sources, received from federal government through the state				
	4,896,204	4,896,204	7,077,527	2,181,323
Total federal sources	4,896,204	4,896,204	7,077,527	2,181,323
Total revenues	32,260,487	32,261,152	34,631,109	2,369,957
Expenditures				
Instruction:				
Special programs:				
Programs for mild disabilities	12,951,651	13,133,607	11,683,386	1,450,221
Programs for severe disabilities	4,326,629	4,333,998	5,298,049	(964,051)
Day programs	2,854,521	2,855,963	2,609,175	246,788
Residential programs	220,000	220,000	182,180	37,820
Early childhood programs	1,639,113	1,639,290	1,582,271	57,019
Prolonged assistance programs	392,259	391,722	421,717	(29,995)
Other	1,301,563	1,301,563	1,182,600	118,963
Total special programs	23,685,736	23,876,143	22,959,378	916,765
Total instruction	23,685,736	23,876,143	22,959,378	916,765
Support services:				
Pupils:				
Health services	10,000	10,000	700	9,300
Speech pathology services	1,714,409	1,714,409	1,787,106	(72,697)
Student therapy services	1,573,794	1,573,794	1,426,170	147,624
Orientation and mobility services	119,587	119,587	122,073	(2,486)
Total pupils	3,417,790	3,417,790	3,336,049	81,741
Special education:				
Administrative costs	1,663,007	1,664,707	1,651,502	13,205
Transportation costs	1,898,448	1,898,448	1,816,351	82,097
Other	2,163,411	2,163,411	2,162,968	443
Total special education	5,724,866	5,726,566	5,630,821	95,745
Total support services	9,142,656	9,144,356	8,966,870	177,486

(continued)

Sioux Falls School District 49-5

Budgetary Comparison Schedule
 Special Education Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Nonprogrammed charges, early retirement payments	235,000	235,000	241,895	(6,895)
Total nonprogrammed charges	235,000	235,000	241,895	(6,895)
Total expenditures	33,063,392	33,255,499	32,168,143	1,087,356
Revenues over (under) expenditures	(802,905)	(994,347)	2,462,966	3,457,313
Net change in fund balances	(802,905)	(994,347)	2,462,966	3,457,313
Fund balance - beginning	5,443,811	5,443,811	5,443,811	-
Fund balance - ending	<u>\$ 4,640,906</u>	<u>\$ 4,449,464</u>	<u>\$ 7,906,777</u>	<u>\$ 3,457,313</u>

See Notes to Required Supplementary Information.

Sioux Falls School District 49-5

**Budgetary Comparison Schedule
Post-Secondary Vocational Fund
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Local Sources:				
Tuition and fees	\$ 12,715,989	\$ 12,715,989	\$ 11,517,436	\$ (1,198,553)
Earnings on investments and deposits	6,000	6,000	22,749	16,749
Other	604,580	642,503	497,976	(144,527)
Total local sources	13,326,569	13,364,492	12,038,161	(1,326,331)
State sources:				
Restricted grants in aid	7,000,000	7,000,000	7,121,249	121,249
Other	5,326,543	5,543,727	1,733,459	(3,810,268)
Total state sources	12,326,543	12,543,727	8,854,708	(3,689,019)
Federal sources:				
Restricted grants in aid:				
Received from federal government through the state	740,807	960,807	975,372	14,565
Other federal revenue	334,000	515,850	629,135	113,285
Total federal sources	1,074,807	1,476,657	1,604,507	127,850
Total revenues	26,727,919	27,384,876	22,497,376	(4,887,500)
Expenditures				
Instruction:				
Adult/continuing education programs:				
Adult basic education programs	242,264	242,264	277,832	(35,568)
Adult continuing education programs	100,406	100,406	67,859	32,547
Total adult/continuing education programs	342,670	342,670	345,691	(3,021)
Post-secondary occupational programs	\$ 11,206,150	11,518,251	11,385,532	132,719
Total instruction	11,548,820	11,860,921	11,731,223	129,698
Support services:				
Pupils, guidance services	250,279	250,279	236,588	13,691
Total pupils	250,279	250,279	236,588	13,691
Instructional staff:				
Improvement of instructional services	886,559	1,018,559	990,148	28,411
Educational media services	100,860	100,860	93,175	7,685
Total instructional staff	987,419	1,119,419	1,083,323	36,096
General and administrative, board of education services				
Total general and administrative	187,000	187,000	156,402	30,598
School administration, other	4,048,738	4,066,213	3,943,131	123,082
Total school administration	4,048,738	4,066,213	3,943,131	123,082

(continued)

Sioux Falls School District 49-5

Budgetary Comparison Schedule
 Post-Secondary Vocational Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Business:				
Fiscal services	463,464	464,814	464,473	341
Facilities acquisition	7,141,571	7,141,571	1,285,105	5,856,466
Operation and maintenance of plant	1,677,893	1,677,893	1,579,187	98,706
Total business	9,282,928	9,284,278	3,328,765	5,955,513
Central, data processing services	1,408,068	1,602,093	1,727,366	(125,273)
Total central	1,408,068	1,602,093	1,727,366	(125,273)
Total support services	16,164,432	16,509,282	10,475,575	6,033,707
Nonprogrammed charges:				
Unemployment payments	-	-	7,825	(7,825)
Early retirement payments	57,287	57,287	58,337	(1,050)
Total nonprogrammed charges	57,287	57,287	66,162	(8,875)
Co-curricular activities, combined activities	11,312	11,312	9,121	2,191
Total co-curricular activities	11,312	11,312	9,121	2,191
Total expenditures	27,781,851	28,438,802	22,282,081	6,156,721
Revenues over (under) expenditures	(1,053,932)	(1,053,926)	215,295	1,269,221
Other financing sources (uses)				
Transfers in	20,000	20,000	5,000	(15,000)
Transfers out	(20,000)	(20,000)	(20,000)	-
Sale of surplus property	-	-	25	25
Total other financing sources (uses)	-	-	(14,975)	(14,975)
Net change in fund balances	(1,053,932)	(1,053,926)	200,320	1,254,246
Fund balance - beginning	6,378,226	6,378,226	8,166,638	1,788,412
Fund balance - ending	\$ 5,324,294	\$ 5,324,300	\$ 8,366,958	\$ 3,042,658

See Notes to Required Supplementary Information.

Sioux Falls School District 49-5

Schedule of Funding Progress for Other Postemployment Benefits

June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Simplified Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
July 1, 2013	\$ -	\$ 11,121,000	\$ 11,121,000	0.0%	\$ 121,523,622	9.2%
July 1, 2011	-	13,092,000	13,092,000	0.0%	106,508,973	12.3%
July 1, 2009	-	7,537,000	7,537,000	0.0%	110,897,915	6.8%

The District has elected to have biennial valuations performed.

Notes to Required Supplementary Information

Note 1. Budget Matters

The District's Board annually adopts a budget and approves the related appropriations for the general fund, special revenue funds and proprietary funds in accordance with provisions of South Dakota codified law. Budgets were also adopted for all capital projects funds. The appropriated budget amounts are, in all material respects, prepared on the same basis of accounting used to prepare the fund financial statements.

Legal spending control for District monies is at the fund level, but management control is exercised at the budgetary line item levels within each fund. Encumbrance accounting is used by the District during the year. Unexpended budgeted amounts lapse at the end of the budget year.

Note 2. Basis of Presentation

The budgetary comparison statements have been prepared on the modified accrual basis of accounting for the general fund, major special revenue funds and the major capital projects fund. The statements present expenditures for capital outlay purposes within each function while the governmental funds' statement of revenues, expenditures, and changes in fund balances presents capital outlay expenditures as a separate function.

Sioux Falls School District 49-5

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue Fund	Debt Service Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
	Pension	Bond Redemption	Elementary Project	Middle School Project	
Assets					
Cash	\$ 1,852,295	\$ 2,609,132	\$ 9,826,615	\$ 249,915	\$ 14,537,957
Current taxes receivable, net	1,302,948	1,451,486	-	-	2,754,434
Delinquent taxes receivable, net	12,583	131,363	-	-	143,946
Total assets	\$ 3,167,826	\$ 4,191,981	\$ 9,826,615	\$ 249,915	\$ 17,436,337
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities, accounts payable	\$ 1,809,258	\$ -	\$ 895,817	\$ 228,715	\$ 2,933,790
Deferred inflows of resources:					
Taxes levied for a future period	1,349,975	1,480,474	-	-	2,830,449
Unavailable revenue - property taxes	8,593	127,639	-	-	136,232
Total deferred inflows of resources	1,358,568	1,608,113	-	-	2,966,681
Fund balances:					
Restricted:					
Debt Service	-	2,583,868	-	-	2,583,868
Construction projects	-	-	8,930,798	21,200	8,951,998
Total fund balances	-	2,583,868	8,930,798	21,200	11,535,866
Total liabilities, deferred inflows of resources and fund balances	\$ 3,167,826	\$ 4,191,981	\$ 9,826,615	\$ 249,915	\$ 17,436,337

Sioux Falls School District 49-5

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	Special	Debt	Capital Projects Funds		Total Nonmajor Governmental Funds
	Revenue Fund	Service Fund	Elementary	Middle School Project	
	Pension	Bond Redemption	Project		
Revenues					
Local Sources:					
Taxes	\$ 2,683,381	\$ 2,675,578	\$ -	\$ -	\$ 5,358,959
Earnings on investments and deposits	4,376	3,957	28,509	3,369	40,211
Total local sources	2,687,757	2,679,535	28,509	3,369	5,399,170
Total revenues	2,687,757	2,679,535	28,509	3,369	5,399,170
Expenditures					
Current:					
Instruction:					
Regular programs:					
Elementary programs	292,833	-	-	-	292,833
Middle school programs	292,833	-	-	-	292,833
High school programs	292,833	-	-	-	292,833
Total regular programs	878,499	-	-	-	878,499
Total instruction	878,499	-	-	-	878,499
Support services:					
Business:					
Fiscal services	-	500	-	-	500
Total business	-	500	-	-	500
Total support services	-	500	-	-	500
Nonprogrammed charges, early retirement payments	1,809,258	-	-	-	1,809,258
Total nonprogrammed charges	1,809,258	-	-	-	1,809,258
Debt service:					
Principal	-	1,720,000	-	-	1,720,000
Interest	-	693,125	-	-	693,125
Total debt service	-	2,413,125	-	-	2,413,125
Capital Outlay	-	-	2,874,222	5,157,644	8,031,866
Total expenditures	2,687,757	2,413,625	2,874,222	5,157,644	13,133,248
Revenues over (under) expenditures	-	265,910	(2,845,713)	(5,154,275)	(7,734,078)
Other financing sources					
Capital outlay certificates issued	-	-	11,865,511	7,075,000	18,940,511
Total other financing sources	-	-	11,865,511	7,075,000	18,940,511
Net change in fund balances	-	265,910	9,019,798	1,920,725	11,206,433
Fund balance (deficit) - beginning	-	2,317,958	(89,000)	(1,899,525)	329,433
Fund balance - ending	\$ -	\$ 2,583,868	\$ 8,930,798	\$ 21,200	\$ 11,535,866

Sioux Falls School District 49-5

Combining Statement of Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2014

Assets	Community Services	House Construction	Post-Secondary Bookstore	Post-Secondary Child Care	Post-Secondary TSI	Totals
Current Assets:						
Cash	\$ 2,714,152	\$ 172,784	\$ 1,077,189	\$ -	\$ -	\$ 3,964,125
Accounts receivable	-	-	88,518	24,677	27,145	140,340
Due from other governments	-	-	-	-	99,787	99,787
Inventory and prepaid expenses	-	-	508,850	-	10,381	519,231
Total current assets	2,714,152	172,784	1,674,557	24,677	137,313	4,723,483
Noncurrent Assets:						
Capital assets:						
Buildings and improvements	-	-	23,720	-	-	23,720
Improvements other than building	-	-	-	6,866	-	6,866
Machinery and equipment-local funds	101,072	14,522	213,985	15,798	692,323	1,037,700
Less accumulated depreciation	(59,975)	(10,164)	(144,773)	(17,719)	(488,027)	(720,658)
Total capital assets (net of accumulated depreciation)	41,097	4,358	92,932	4,945	204,296	347,628
Total assets	\$ 2,755,249	\$ 177,142	\$ 1,767,489	\$ 29,622	\$ 341,609	\$ 5,071,111
Liabilities, Deferred Inflows of Resources and Net Position						
Current Liabilities:						
Accounts payable	\$ 45,480	\$ -	\$ (73,733)	\$ 2,836	\$ 11,201	\$ (14,216)
Accrued wages and related benefits payable	536,607	-	9,551	15,544	32,215	593,917
Due to other funds	44,759	-	2,661	84,771	131,086	263,277
Total current liabilities	626,846	-	(61,521)	103,151	174,502	842,978
Total liabilities	626,846	-	(61,521)	103,151	174,502	842,978
Deferred inflows of resources, other	-	-	-	-	27,715	27,715
Net Position:						
Invested in capital assets	41,097	4,358	92,932	4,945	204,296	347,628
Unrestricted	2,087,306	172,784	1,736,078	(78,474)	(64,904)	3,852,790
Total net position	2,128,403	177,142	1,829,010	(73,529)	139,392	4,200,418
Total liabilities, deferred inflows of resources and net position	\$ 2,755,249	\$ 177,142	\$ 1,767,489	\$ 29,622	\$ 341,609	\$ 5,071,111

Sioux Falls School District 49-5

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
 Nonmajor Enterprise Funds
 For the Year Ended June 30, 2014

	Community Services	House Construction	Post-Secondary Bookstore	Post-Secondary Child Care	Post-Secondary TSI	Totals
Operating Revenue						
Tuition	\$ 2,866,306	\$ -	\$ -	\$ -	\$ 593,932	\$ 3,460,238
Other	2,685,836	-	2,925,373	225,013	85,250	5,921,472
Total operating revenue	5,552,142	-	2,925,373	225,013	679,182	9,381,710
Operating Expenses						
Salaries	3,804,656	-	123,132	224,645	313,462	4,465,895
Employee benefits	889,846	-	38,392	80,401	75,882	1,084,521
Purchased services	295,251	986	7,762	4,741	139,868	448,608
Supplies	260,409	-	1,780	16,252	59,441	337,882
Cost of sales - purchases	-	-	2,586,125	-	-	2,586,125
Miscellaneous	42,338	-	82,065	6,951	82,332	213,686
Depreciation - local funds	8,348	1,452	16,704	694	69,451	96,649
Total operating expenses	5,300,848	2,438	2,855,960	333,684	740,436	9,233,366
Operating income (loss)	251,294	(2,438)	69,413	(108,671)	(61,254)	148,344
Nonoperating Revenues						
Local sources:						
Gain on disposal of fixed assets	-	-	-	-	5,275	5,275
State sources:						
Other state revenue	-	-	-	-	50,410	50,410
Total nonoperating revenues	-	-	-	-	55,685	55,685
Income (loss) before transfers	251,294	(2,438)	69,413	(108,671)	(5,569)	204,029
Transfers in	-	-	(5,000)	20,000	-	15,000
Change in net position	251,294	(2,438)	64,413	(88,671)	(5,569)	219,029
Net position - beginning	1,877,109	179,580	1,764,597	15,142	144,961	3,981,389
Net position - ending	\$ 2,128,403	\$ 177,142	\$ 1,829,010	\$ (73,529)	\$ 139,392	\$ 4,200,418

Sioux Falls School District 49-5

Combining Statement of Net Position
Internal Service Funds
For the Year Ended June 30, 2014

Assets	Group Health		Totals
	Insurance	Reprographics	
Current Assets:			
Cash	\$ 10,214,701	\$ 67,555	\$ 10,282,256
Accounts receivable	-	132	132
Due from other funds	2,419,408	-	2,419,408
Inventory and prepaid expenses	12,111	20,024	32,135
Total current assets	12,646,220	87,711	12,733,931
Noncurrent Assets:			
Capital assets:			
Machinery and equipment-local funds	-	383,230	383,230
Less accumulated depreciation	-	(264,468)	(264,468)
Total capital assets (net of accumulated depreciation)	-	118,762	118,762
Total assets	\$ 12,646,220	\$ 206,473	\$ 12,852,693
Liabilities and Net Position			
Current Liabilities:			
Accounts payable	\$ 6,034	\$ 46,375	\$ 52,409
Accrued wages and related benefits payable	-	17,755	17,755
Incurred but not reported claims	2,620,000	-	2,620,000
Due to other funds	-	1,694	1,694
Total current liabilities	2,626,034	65,824	2,691,858
Total liabilities	2,626,034	65,824	2,691,858
Net Position:			
Invested in capital assets, net of related debt	-	118,762	118,762
Unrestricted	10,020,186	21,887	10,042,073
Total net position	10,020,186	140,649	10,160,835
Total liabilities and net position	\$ 12,646,220	\$ 206,473	\$ 12,852,693

Sioux Falls School District 49-5

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2014

	Group Health Insurance	Reprographics	Totals
Operating Revenue			
Charges equivalent to insurance premiums	\$ 27,722,835	\$ -	\$ 27,722,835
Other	(441,048)	356,292	(84,756)
Total operating revenue	<u>27,281,787</u>	<u>356,292</u>	<u>27,638,079</u>
Operating Expenses			
Salaries	-	134,624	134,624
Employee benefits	-	36,836	36,836
Purchased services	2,764,486	17,032	2,781,518
Supplies	21,497	54,589	76,086
Insurance claims	23,566,892	-	23,566,892
Depreciation - local funds	-	58,742	58,742
Total operating expenses	<u>26,352,875</u>	<u>301,823</u>	<u>26,654,698</u>
Operating income	<u>928,912</u>	<u>54,469</u>	<u>983,381</u>
Nonoperating Revenues (Expenses)			
Local sources:			
Investment earnings	32,111	-	32,111
Total nonoperating revenues (expenses)	<u>32,111</u>	<u>-</u>	<u>32,111</u>
Change in net position	961,023	54,469	1,015,492
Net position - beginning	9,059,163	86,180	9,145,343
Net position - ending	<u>\$ 10,020,186</u>	<u>\$ 140,649</u>	<u>\$ 10,160,835</u>

Sioux Falls School District 49-5

Combining Statement of Net Position
 Fiduciary Agency Funds
 June 30, 2014

	Flexible Spending Accounts	Student Activity	Payroll Withholding	Total Agency Funds
Assets				
Cash	\$ 155,563	\$ 3,262,343	\$ 1,379,803	\$ 4,797,709
Accounts receivable	-	-	23,514	23,514
Total assets	\$ 155,563	\$ 3,262,343	\$ 1,403,317	\$ 4,821,223
Liabilities				
Benefits payable	\$ 155,563	\$ -	\$ 1,403,317	\$ 1,558,880
Amounts held for others	-	3,262,343		3,262,343
Total liabilities	\$ 155,563	\$ 3,262,343	\$ 1,403,317	\$ 4,821,223

Sioux Falls School District 49-5

Schedule of Expenditures by Object
General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Salaries:				
Regular:				
Administrative, central	\$ 1,945,077	\$ 1,945,077	\$ 2,109,879	\$ (164,802)
Administrative, building	4,875,709	4,945,709	4,861,568	84,141
Clerical	3,840,394	3,863,652	3,759,167	104,485
Custodial and maintenance	6,155,842	6,155,842	6,055,947	99,895
Custodial manager	776,635	776,635	773,978	2,657
Technical/specialist	1,931,056	1,909,831	1,952,262	(42,431)
Instructional	67,724,676	67,816,293	65,529,017	2,287,276
Executive clerical	140,285	140,285	146,152	(5,867)
Employment contract	1,963,460	2,035,848	2,315,115	(279,267)
Education assistant	1,317,380	1,318,456	1,187,311	131,145
Total regular salaries	90,670,514	90,907,628	88,690,396	2,217,232
Temporary:				
Administrative	-	3,000	6,190	(3,190)
Clerical	-	-	36,265	(36,265)
Custodial and maintenance	95,548	95,548	98,093	(2,545)
Substitute teachers	2,274,356	2,276,235	1,736,257	539,978
Other	217,494	464,215	423,377	40,838
Total temporary salaries	2,587,398	2,838,998	2,300,182	538,816
Total salaries	93,257,912	93,746,626	90,990,578	2,756,048
Employee benefits:				
Retirement:				
South Dakota Retirement System	4,470,506	4,488,980	4,433,652	55,328
Social Security	6,674,732	6,699,522	6,508,482	191,040
Total retirement benefits	11,145,238	11,188,502	10,942,134	246,368
Insurance:				
Long-term disability	32,281	32,341	36,339	(3,998)
Workers' compensation	557,129	561,129	724,180	(163,051)
Hospital/medical	13,897,653	14,092,686	15,400,133	(1,307,447)
Dental	1,048,590	1,053,144	1,059,613	(6,469)
Administrator life	3,858	3,858	4,606	(748)
Basic life	16,157	16,219	12,505	3,714
Total insurance benefits	15,555,668	15,759,377	17,237,376	(1,477,999)
Total employee benefits	26,700,906	26,947,879	28,179,510	(1,231,631)

(continued)

Sioux Falls School District 49-5

Schedule of Expenditures by Object
General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Purchased services:				
Professional	3,648,790	4,137,738	4,302,277	(164,539)
Property	464,753	492,758	475,616	17,142
Transportation and travel	4,002,236	4,721,712	4,712,027	9,685
Communication	453,062	435,486	374,549	60,937
Advertising	56,480	56,480	12,245	44,235
Printing and publishing	840,132	1,004,740	1,063,831	(59,091)
Tuition	1,314,854	1,359,609	1,153,258	206,351
Utilities	3,524,173	3,524,173	3,547,118	(22,945)
Repair and maintenance	649,481	654,429	503,998	150,431
Total purchased services	14,953,961	16,387,125	16,144,919	242,206
Supplies and materials:				
Supplies	4,098,641	5,778,643	4,970,539	808,104
Textbooks	1,626,589	1,505,402	1,178,033	327,369
Library books	219,086	239,595	235,132	4,463
Periodicals	96,002	119,019	111,216	7,803
Food	79,651	635,476	648,792	(13,316)
Non-capitalized equipment	55,645	74,465	47,776	26,689
Total supplies and materials	6,175,614	8,352,600	7,191,488	1,161,112
Other:				
Dues and fees	167,324	366,607	348,831	17,776
Insurance and judgments	319,300	319,300	330,443	(11,143)
Miscellaneous	342,869	351,835	330,667	21,168
Total other	829,493	1,037,742	1,009,941	27,801
Total expenditures	\$ 141,917,886	\$ 146,471,972	\$ 143,516,436	\$ 2,955,536

Sioux Falls School District 49-5

Schedule of Expenditures by Object
 Capital Outlay Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Purchased services:				
Professional	\$ 305,500	\$ 317,500	\$ 1,001,382	\$ (683,882)
Transportation	398,052	398,052	414,177	(16,125)
Total purchased services	703,552	715,552	1,415,559	(700,007)
Capital acquisitions:				
Land	100,000	100,000	567,157	(467,157)
Buildings and improvements	4,052,881	4,257,919	3,298,955	958,964
Land improvements	984,541	1,272,167	769,350	502,817
New equipment	2,456,480	2,910,839	3,163,243	(252,404)
Vehicles	140,000	590,000	623,523	(33,523)
Library collection	-	75,000	21,059	53,941
Replacement equipment	1,441,871	1,443,543	1,191,848	251,695
Total capital acquisitions	9,175,773	10,649,468	9,635,135	1,014,333
Other:				
Redemption of principal	3,645,000	3,645,000	3,645,000	-
Interest	4,046,766	4,046,766	4,141,421	(94,655)
Dues and fees	15,000	15,000	84,028	(69,028)
Miscellaneous	554,613	610,310	474,566	135,744
Total other	8,261,379	8,317,076	8,345,015	(27,939)
Total expenditures	\$ 18,140,704	\$ 19,682,096	\$ 19,395,709	\$ 286,387

Sioux Falls School District 49-5

Schedule of Expenditures by Object
 Special Education Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Salaries:				
Regular:				
Administrative, central	\$ 674,536	\$ 674,536	\$ 618,122	\$ 56,414
Administrative, building	55,044	55,044	55,175	(131)
Clerical	283,603	283,603	282,460	1,143
Technical/specialist	1,872,554	1,872,554	1,664,773	207,781
Instructional	12,210,591	12,210,591	12,033,239	177,352
Executive clerical	40,986	40,986	41,217	(231)
Employment contract	1,859,134	1,859,134	1,769,981	89,153
Education assistant	3,454,928	3,454,928	3,370,472	84,456
Total regular salaries	20,451,376	20,451,376	19,835,439	615,937
Temporary:				
Administrative	20,833	20,833	20,005	828
Substitute teachers	378,467	378,467	401,303	(22,836)
Other	35,000	35,000	21,055	13,945
Total temporary salaries	434,300	434,300	442,363	(8,063)
Early retirement payments	235,000	235,000	241,895	(6,895)
Total salaries	21,120,676	21,120,676	20,519,697	600,979
Employee benefits:				
Retirement:				
South Dakota Retirement System	1,227,646	1,227,646	1,177,991	49,655
Social Security	1,494,521	1,494,521	1,432,092	62,429
Total retirement benefits	2,722,167	2,722,167	2,610,083	112,084
Insurance:				
Long-term disability	7,394	7,394	6,565	829
Workers' compensation	127,259	127,259	160,574	(33,315)
Hospital/medical	3,179,033	3,179,033	3,555,751	(376,718)
Dental	244,366	244,366	256,161	(11,795)
Administrator life	456	456	511	(55)
Basic life	3,704	3,704	3,217	487
Total insurance benefits	3,562,212	3,562,212	3,982,779	(420,567)
Total employee benefits	6,284,379	6,284,379	6,592,862	(308,483)

(continued)

Sioux Falls School District 49-5

Schedule of Expenditures by Object
 Special Education Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Purchased services:				
Professional	1,320,596	1,324,419	1,144,003	180,416
Property	165,750	165,750	140,050	25,700
Transportation and travel	2,032,201	2,032,666	1,851,592	181,074
Communication	-	-	33,649	(33,649)
Advertising	-	-	98	(98)
Printing and publishing	500	2,845	16,214	(13,369)
Tuition	1,141,466	1,141,466	1,070,695	70,771
Utilities	-	-	9,322	(9,322)
Repair and maintenance	221,000	221,000	184,712	36,288
Total purchased services	4,881,513	4,888,146	4,450,335	437,811
Supplies and materials:				
Supplies	476,164	636,371	413,248	223,123
Textbooks	63,437	88,746	52,024	36,722
Library books	4,085	2,951	2,647	304
Periodicals	6,633	6,396	5,635	761
Food	9,577	9,811	8,915	896
Non-capitalized equipment	-	1,095	5,760	(4,665)
Total supplies and materials	559,896	745,370	488,229	257,141
Capital acquisitions, new equipment	132,000	132,000	27,622	104,378
Other:				
Dues and fees	13,519	13,519	26,334	(12,815)
Insurance and judgments	57,000	57,000	57,034	(34)
Miscellaneous	14,409	14,409	6,030	8,379
Total other	84,928	84,928	89,398	(4,470)
Total expenditures	\$ 33,063,392	\$ 33,255,499	\$ 32,168,143	\$ 1,087,356

Sioux Falls School District 49-5

Schedule of Expenditures by Object
 Post-Secondary Vocational Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Salaries:				
Regular:				
Administrative, central	\$ 862,304	\$ 862,304	\$ 875,323	\$ (13,019)
Clerical	535,358	535,358	527,171	8,187
Custodial and maintenance	511,647	511,647	474,149	37,498
Custodial manager	110,290	110,290	116,563	(6,273)
Technical/specialist	875,922	875,922	810,976	64,946
Instructional	5,953,863	5,995,613	6,004,654	(9,041)
Executive clerical	48,796	48,796	48,906	(110)
Employment contract	1,426,810	1,500,010	1,594,145	(94,135)
Total regular salaries	10,324,990	10,439,940	10,451,887	(11,947)
Temporary:				
Substitute teachers	16,000	16,000	6,375	9,625
Other	306,620	306,620	305,762	858
Total temporary salaries	322,620	322,620	312,137	10,483
Early retirement payments	57,287	57,287	58,337	(1,050)
Total salaries	10,704,897	10,819,847	10,822,361	(2,514)
Employee benefits:				
Retirement:				
South Dakota Retirement System	619,501	626,426	598,180	28,246
Social Security	814,541	823,066	776,290	46,776
Total retirement benefits	1,434,042	1,449,492	1,374,470	75,022
Insurance:				
Long-term disability	5,498	5,548	5,007	541
Workers' compensation	68,747	68,747	79,257	(10,510)
Hospital/medical	1,320,028	1,337,278	1,407,738	(70,460)
Dental	100,837	101,387	96,519	4,868
Administrator life	480	480	576	(96)
Basic life	1,374	1,424	1,179	245
Total insurance benefits	1,496,964	1,514,864	1,590,276	(75,412)
Total employee benefits	2,931,006	2,964,356	2,964,746	(390)

(continued)

Sioux Falls School District 49-5

Schedule of Expenditures by Object
 Post-Secondary Vocational Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Purchased services:				
Professional	1,388,538	1,403,424	1,697,767	(294,343)
Property	163,666	163,741	158,108	5,633
Transportation and travel	144,525	168,738	151,195	17,543
Communication	105,188	105,188	105,697	(509)
Advertising	220,500	236,625	217,889	18,736
Printing and publishing	206,070	206,070	178,457	27,613
Utilities	451,000	451,000	455,782	(4,782)
Repair and maintenance	405,770	459,870	470,611	(10,741)
Total purchased services	3,085,257	3,194,656	3,435,506	(240,850)
Supplies and materials:				
Supplies	1,168,013	1,190,393	1,048,393	142,000
Library books	15,125	15,125	9,626	5,499
Periodicals	11,960	9,885	4,332	5,553
Food	79,380	81,041	89,950	(8,909)
Non-capitalized equipment	209,423	219,948	243,828	(23,880)
Total supplies and materials	1,483,901	1,516,392	1,396,129	120,263
Capital acquisitions:				
Buildings and improvements	6,900,364	6,900,364	698,847	6,201,517
Land improvements	219,207	219,207	242,342	(23,135)
New equipment	1,029,204	1,386,488	1,297,463	89,025
Replacement equipment	-	-	162	(162)
Total capital acquisitions	8,148,775	8,506,059	2,238,814	6,267,245
Other:				
Dues and fees	1,217,715	1,227,192	1,197,947	29,245
Insurance and judgments	89,000	89,000	94,598	(5,598)
Miscellaneous	25,300	25,300	25,473	(173)
Bad debt expense	96,000	96,000	106,507	(10,507)
Total other	1,428,015	1,437,492	1,424,525	12,967
Total expenditures	\$ 27,781,851	\$ 28,438,802	\$ 22,282,081	\$ 6,156,721

Sioux Falls School District 49-5

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014**

Federal Grantor/Pass Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Expenditures
U.S. Department of Agriculture:		
Pass-Through the S.D. Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program (Note B)	10.553	\$ 769,146
National School Lunch Program, including commodities (Note B)	10.555	5,107,442
Summer Food Service Program for Children (Note B)	10.559	<u>75,968</u>
		<u>5,952,556</u>
Child and Adult Care Food Program (Note B)	10.558	374,010
Fresh Fruit and Vegetable Program	10.582	<u>309,917</u>
Total U.S. Department of Agriculture		<u>6,636,483</u>
U.S. Department of Defense:		
Pass-Through the S.D. Department of Military and Veterans' Affairs:		
National Guard ChalleNGe Program - Starbased Program	12.404	<u>675</u>
U.S. Department of the Interior:		
Direct Federal Funding:		
Indian Education_Assistance to Schools - Johnson O'Malley (Note B)	15.130	<u>1,300</u>
U.S. Department of Labor:		
Pass-Through the S.D. Department of Education:		
WIA Dislocated Worker Formula Grants	17.278	42,272
Trade Adjustment Assistance Community College and Career Training Grant	17.282	<u>542,523</u>
Total U.S. Department of Labor		<u>584,795</u>
National Endowment for the Arts:		
Pass-Through the S.D. Department of Education:		
Promotion of the Arts_Partnership Agreements	45.025	<u>3,689</u>
National Science Foundation:		
Pass-Through the S.D. Department of Education:		
Computer and Information Science and Engineering	47.070	26,242
Office of Experimental Program to Stimulate Competitive Research	47.081	<u>63,065</u>
Total National Science Foundation		<u>89,307</u>
Department of Veterans Affairs:		
Direct Federal Funding:		
Post-9/11 Veterans Educational Assistance	64.028	<u>2,736</u>
Environmental Protection Agency Office of Air and Radiation:		
Pass-Through the S.D. Department of Education:		
National Clean Diesel Emissions Reduction Program (Note D)	66.039	<u>450,000</u>

(continued)

Sioux Falls School District 49-5

Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2014

Federal Grantor/Pass Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Expenditures
U.S. Department of Education:		
Direct Federal Funding:		
Student Financial Assistance Program Cluster:		
Federal Supplemental Educational Opportunity Grants	84.007	\$ 56,745
Federal Work-Study Program	84.033	54,402
Federal Pell Grant Program	84.063	4,694,750
Federal Direct Student Loans (Note C)	84.268	13,887,027
		<u>18,692,924</u>
Indian Education_Grants to Local Educational Agencies	84.060	248,915
Pass-Through the S.D. Department of Education:		
Adult Education - Basic Grants to States	84.002	214,587
Title I Grants to Local Educational Agencies	84.010	5,456,638
Migrant Education_State Grant Program	84.011	339,633
Special Education Cluster (IDEA):		
Special Education_Grants to States (Note B)	84.027	6,871,739
Special Education_Preschool Grants	84.173	263,997
		<u>7,135,736</u>
Career and Technical Education -- Basic Grants to States	84.048	885,259
Migrant Education_Coordination Program	84.144	15,440
Special Education-Grants for Infants and Families	84.181	58,921
Education of Homeless Children and Youth	84.196	98,916
Twenty-First Century Community Learning Centers	84.287	139,450
Title III - English Language Acquisition Grants	84.365	397,500
Title II, Part B - Mathematics and Science Partnerships	84.366	105,194
Title II, Part A - Improving Teacher Quality State Grants	84.367	1,063,909
School Improvement Grants Cluster:		
School Improvement Grants	84.377	48,742
School Improvement Grants, Recovery Act	84.388	70,267
		<u>119,009</u>
Total U.S. Department of Education		<u>34,972,031</u>

(continued)

Sioux Falls School District 49-5

Schedule of Expenditures of Federal Awards (continued)
 Year Ended June 30, 2014

Federal Grantor/Pass Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Expenditures
U.S. Department of Health and Human Services:		
Direct Federal Funding:		
Head Start	93.600	\$ 2,220,271
Pass-Through the S.D. Department of Social Services:		
Temporary Assistance for Needy Families	93.558	8,595
Pass-Through the S.D. Department of Health:		
Maternal and Child Health Services Block Grant to the States	93.994	27,964
Public Health Emergency Preparedness	93.069	3,000
Refugee and Entrant Assistance Discretionary Grants	93.576	128,267
Total U.S. Department of Health and Human Services		2,388,097
Total federal financial assistance		\$ 45,129,113

(continued)

Sioux Falls School District 49-5

**Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2014**

Note A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is generally presented on the modified accrual basis of accounting. 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 financial statements.

Note B. Reporting

Certain federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported represent revenue rather than expenditures.

Note C. Federal Direct Student Loan Programs

Loans guaranteed under federal guarantee loan programs and issued to parents of eligible students or eligible students attending the District's vocational technical school during the year had the following values:

Stafford Loans	\$ 6,004,085
Unsubsidized Stafford Loans	7,333,153
PLUS Program Loans	547,789

Note D. Subrecipient

Of the federal expenditures presented in the schedule, the District provided federal awards to a subrecipient as follows:

<u>Program Title Provided</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
National Clean Diesel Emissions Reduction Program	66.039	\$ 450,000



**Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of the Financial Statements
Performed in Accordance with Government Auditing Standards**

To the School Board
Sioux Falls School District 49-5
Sioux Falls, SD

We have audited, in accordance with the 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 discretely presented component unit and remaining fund information of Sioux Falls School District 49-5 (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 9, 2015. Our report includes a reference to other auditors who audited the financial statements of Southeast Technical Institute Housing Foundation, a discretely presented component unit, as described in our report on the Sioux Falls School District 49-5 financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control over financial reporting which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2014-003 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

The District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express any opinion on it.

Purpose of this Report

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



Sioux Falls, South Dakota
January 9, 2015



Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

To the School Board
Sioux Falls School District
Sioux Falls, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Sioux Falls School District 49-5's (District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The District's basic financial statements include the operations of the Southeast Technical Institute Housing Foundation, a discretely presented component unit which received no federal awards for its fiscal year ended December 31, 2013. Our audit described below does not include the operations of the Southeast Technical Institute Housing Foundation because the discretely presented component unit was audited by other auditors.

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 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 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 of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Sioux Falls School District 49-5 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, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular No. A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the 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 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-002, that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 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.

McGladrey LLP

Sioux Falls, South Dakota
January 9, 2015

Sioux Falls School District 49-5

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
• Material weakness(es) identified	<u> </u>	Yes	<u> X </u> No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> X </u>	Yes	<u> </u> None reported
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u> No

Federal Awards

Internal control over major programs:			
• Material weakness(es) identified	<u> </u>	Yes	<u> X </u> No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> X </u>	Yes	<u> </u> None reported
Type of auditor's report issued on compliance for major programs:	Unmodified		
• Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<u> X </u>	Yes	<u> </u> No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Aid Cluster
84.007	Federal Supplementary Education Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans

Dollar threshold used to distinguish between type A and type B programs	\$1,353,873
Auditee qualified as low-risk auditee?	<u> X </u> Yes <u> </u> No

Sioux Falls School District 49-5

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

A. Significant Deficiency in Internal Control Over Financial Reporting

Finding 2014-003 Recognition of Insurance Stop-Loss Policy Claim

Condition and context: The District recognized a \$445,708 receivable and revenue from an insurance stop-loss claim prior to acknowledgment of the claim by the insurer.

Criteria: GASB accounting standards indicate insurance recoveries should be recognized only when realized or realizable. For example, if an insurer has acknowledged coverage, an insurance recovery would be realizable. If the insurer has denied coverage, the insurance recovery generally would not be realizable.

Effect: The recognition of a stop-loss policy receivable prior to acknowledgment by the insurer causes an overstatement of net position and fund balance.

Cause: There was inadequate review of accounting standards related to recognition of insurance recoveries.

Recommendation: A secondary review of significant transactions and account balances should challenge and verify compliance with accounting standards.

Views of Responsible Officials: The insurer did not deny coverage until December 17, 2014. Payment had been stalled over requests for additional documentation. The District does not receive acknowledgements from the insurer prior to stop-loss payments. Since the insurer had neither acknowledged nor denied coverage at June 30, 2014, we agree that the realization of the revenue was uncertain and agree with not recording it; however, we do not agree in finding this a significant deficiency in internal control over financial reporting.

B. Compliance Findings

None reported

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

III. Findings and Questioned Costs for Federal Awards

A. Significant Deficiency in Administering Federal Awards

Finding 2014-002: Federal Direct Student Loan Reporting
Student Financial Assistance Program Cluster (CFDA No. 84.268)
U.S. Department of Education

Condition: The detailed listing of Federal Direct Student Loans made to Southeast Technical Institute students was not reconciled to the summary disbursements reconciliation. The amounts did not reconcile by \$179,206.

Criteria: Adequate internal controls over compliance contemplates periodic reconciliation of detailed listings to summary control reconciliations.

Context: Total federal direct student loans disbursed per the detailed listing was \$13,707,821.

Effect: Failure to reconcile these amounts could result in an improper amount being reported on the schedule of expenditure of federal awards and could result in incomplete monitoring of amounts disbursed.

Questioned costs: None.

Cause: The detailed listing of Federal Direct Student Loans was not being reconciled to the summary disbursements reconciliation.

Recommendation: The detailed listing of Federal Direct Student Loans should be reconciled to the summary disbursements reconciliation on a monthly basis.

Views of responsible officials: We agree with the finding.

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

III. Findings and Questioned Costs for Federal Awards (Continued)

B. Instances of Noncompliance

Finding 2014-001: Timely reporting of student withdrawals
Student Financial Assistance Program Cluster (CFDA No. 84.007, 84.033, 84.063, 84.268)
U.S. Department of Education

Condition: Southeast Technical Institute failed to report withdrawn students to the national student loan clearinghouse within 60 days.

Criteria: Part 5 – Clusters of Programs, of the 2014 A-133 Compliance Supplement (Compliance Section N – Special Tests and Provisions - #5 Enrollment Reporting) requires attendance changes to be reported within 30 days, unless a roster will be submitted within 60 days.

Context: We tested 29 withdrawals and noted 1 official withdrawal and 8 unofficial withdrawals not reported within 60 days. Official withdrawals are ones where the student proactively notified the Institute of their withdrawal, and unofficial withdrawals are where the withdrawal is determined through other means.

Effect: A student's enrollment status determines eligibility for in-school status, deferment, and grace periods, as well as for the payment of interest subsidies to program loan holders by the Department of Education. For unofficial withdrawals, the award is automatically determined to be 50% earned; therefore, the withdrawal date does not impact the award. Enrollment reporting in a timely and accurate manner is important for effective management of the programs.

Questioned Costs: None.

Cause: The Department of Education mandated that all colleges include additional data elements in their data transmission to the national student clearinghouse beginning this year. At the end of the summer term management determined that there were issues with the updated Jenzabar software and the data that was submitted to the student clearinghouse. In effect, the data was not correct and was repeatedly rejected by the clearinghouse. Management had scheduled to submit the end-of-summer student data to the clearinghouse on August 10, 2014; however, a delay in the software correction caused a delay in the submission of corrected data to September 10, 2014, which the clearinghouse processed on September 16, 2014.

Recommendation: Management should continue to monitor required changes to reporting requirements and work with its vendors to properly address those changes in a timely manner.

Views of responsible officials: We agree with the finding.

Sioux Falls School District 49-5

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014**

Finding 2013-1: Telecomm Gross Receipts Tax and Capital Assets

Finding: The District corrected its method of recognizing the accounts receivable and revenue relating to telecomm gross receipts tax as of June 30, 2013. In addition, certain capital assets associated with school locations identified for closure were not evaluated for impairment nor were the remaining useful lives on the capital assets at these school locations reevaluated for adjustment as of June 30, 2013.

Corrective Action Taken: The review of significant revenue sources was expanded to include telecomm gross receipts tax. Capital asset impairment tests are performed when impairment indicators are present, and remaining estimated useful lives of capital assets are reevaluated annually.

Federal Head Start Review Finding – April, 2014: Allotment of Funds; Limitations on Assistance

Finding: The District did not ensure the program's actual enrollment for the current program year was at least 10 percent children with disabilities. The District enrolled 9 percent children with disabilities and did not have an approved waiver for the regulation.

Corrective Action Taken: The District met the 10 percent benchmark for children with disabilities on May 7, 2014. Systems for enrolling children who are enrolled in the special education program and who are potentially eligible for Head Start will be reviewed with ERSEA and disability staff. In the event that the full 10 percent of the total number of children with disabilities has not been reached by midyear, a waiver will be requested from the Regional Office.



Instructional Planning Center

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Kate Parker, Member
Carly Reiter, Member

Dr. Pamela J. Homan, Superintendent

**CORRECTIVE ACTION PLAN
YEAR ENDED 6/30/14**

Identifying Number: 2014-001: Timely reporting of student withdrawals.

Finding: Southeast Technical Institute failed to report withdrawn students to the National Student Loan clearinghouse within 60 days.

Corrective Action Taken or Planned:

Contact person: Jim Rokusek, Director of Students, Southeast Technical Institute

The Department of Education mandated that all colleges include additional data elements in their data transmission to the National Student Clearinghouse beginning in October of this year. Southeast Technical Institute took a proactive approach and installed the necessary software to comply with this change in late July 2014. The software change caused all subsequent data transmissions to fail until the software was corrected by the software vendor.

Starting immediately, the Registrar's Office will work closely with the IT Department to ensure software updates are not applied during critical periods of the school year. The Registrar's Office will provide IT with an anticipated transmission schedule to the National Student Clearinghouse for planning purposes. In addition, the NSC functions will be tested in the Jenzabar testing environment prior to implementation.

Status of finding (December 4, 2014) – The above corrective actions were implemented immediately upon notification.

Identifying Number: 2014-002: Federal Direct Student Loan Reporting

Finding: The detailed listing of Federal Direct Student Loans made to Southeast Technical Institute students was not reconciled to the summary disbursements reconciliation.

Corrective Action Taken or Planned:

Contact person: Jim Rokusek, Director of Students, Southeast Technical Institute

The Department of Education mandates that Federal Direct Loans be reconciled 30 days after receiving the School Account Statement from the Department of Education via the Common Origination and Disbursement (COD) system. Southeast Tech is reconciling the funds on a monthly basis; however, reviews of the reconciliations have not been performed on a timely basis.

The School Account Statement is received via COD after the first full weekend of each month. The Financial Aid Coordinator will reconcile and print out the monthly disbursements and drawdowns against the School Account Statement by the third Friday of each month. A review of the completed reconciliation will be performed by the Financial Aid Director prior to the last

working day of each month. The Financial Aid Director will date and initial the monthly print outs following completion of the reconciliation review.

The implementation of this corrective action will take place immediately.

Identifying Number: 2014-003: Recognition of Insurance Stop-Loss Policy Claim

Finding: The District recognized a \$445,708 receivable and revenue from an insurance stop-loss claim prior to acknowledgment of the claim by the insurer.

Corrective Action Taken or Planned:

Contact person: Kenneth W. Mosser, Comptroller

Starting immediately, when a significant stop-loss claim is outstanding at year end, the District will communicate with our third-party administrator and stop-loss insurer to determine if the revenue should be realized.